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In This Issue

	Page
World Economic Conditions	3
Inputs and Finance	
Energy	5
Exchange Rates	6
Agricultural Commodity Prices	7
U.S. Agricultural Trade	8
World Commodity Developments	
Food Grains	9
Coarse Grains	11
Oilseeds	12
World Pulse Situation	14
North Africa and Middle East Poultry Markets	16
Sugar	18
Cotton	18
Tobacco	19
Regional Developments	
United States	19
Canada	20
Western Europe	20
Australia	21
Japan	21
USSR	22
Eastern Europe	23
China	24
Asia	24
Africa and the Middle East	26
Latin America	27
World Trade and Food Policy	28

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Note: Tons are metric, dollars are U.S., and rice is on a milled basis unless specified otherwise.

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John C. Dunmore, Chief
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Summary

U.S. Agricultural Exports May Rise

The industrialized nations, particularly the United States, are leading a global economic recovery that is likely to gain strength in 1984. The recovery could boost U.S. exports next year, although little expansion is seen for agricultural exports. World economic growth is projected at 1.9 percent for 1983 and may rise to 3.3 percent next year.

Oil supplies will be plentiful for the remainder of 1983 and into early 1984. However, prices may rise moderately if demand keeps growing. The value of the U.S. dollar relative to other major currencies could ease slightly by the end of the year, but it should remain strong compared to monies used in the less developed countries. U.S. agricultural exports for fiscal 1983 are estimated at \$34.5 billion, down 12 percent from the previous year. Export volume is estimated down 9 percent to 143.5 million tons. The value of U.S. exports may rise slightly in fiscal 1984.

Hot, dry weather has reduced 1983/84 yield prospects for U.S. corn and soybeans, boosting their prices. Record foreign production will push world coarse grain output to 716 million tons in 1983/84, down only 8 percent from a year earlier despite the sharp reduction in the U.S. crop. However, U.S. exports are expected to increase nearly 5 million tons to 58 million in 1983/84 (October-September). For U.S. wheat, anticipated record yields and large stocks will hold prices near last year's. Similarly, the 1983/84 global wheat harvest, projected at 480 million tons, will push world stocks to a record and keep world prices near those of last year. Global rice output

in 1983/84 may slightly exceed the 1982/83 record, keeping prices depressed in spite of a decline in stocks.

Oilseed output is forecast at 172 million tons for 1983/84, down 5 percent. U.S. production may fall one-fifth, trimming U.S. soybean exports from 24.5 million last season to 22.6 million, and reducing soybean meal exports almost 3 percent.

The estimate of global sugar production in 1982/83 has been raised to nearly 100 million tons, but output could drop to about 95 million in 1983/84. Record stocks imply low prices through 1983, but lower output and increased use suggest some price rise in 1984.

World cotton output is expected to decline 2 percent in 1983/84. Most major foreign producers will maintain or increase production, largely offsetting the 35-percent cut in the U.S. crop. U.S. exports could be only marginally higher than in 1982/83.

Global tobacco production is forecast at 13.4 billion pounds in 1983, 10 percent below last year's record. The value of U.S. exports of unmanufactured tobacco for the first 6 months of 1983 dropped 15 percent.

This issue of the *World Agriculture Situation* contains two special articles. In the first, which is on pulses, the author concludes that world production of dry edible beans, peas, and lentils, which has declined since the mid-1960's, will continue to fall in the 1980's as emphasis shifts toward cereal and meat consumption. The second article examines international poultry meat trade, particularly imports of the Africa and Middle East region. The region's purchases have expanded rapidly in the last decade, with Brazil and France capturing the largest shares of the market.

World Agricultural Situation

WORLD ECONOMIC CONDITIONS

Slow Recovery Strengthening

The slow recovery in the world economy seems to have gained some momentum since January. Most major economic indicators in the industrialized countries showed improvement from January through early August, and the world as a whole is clearly emerging from the slowdown of 1981-1982. The economies of some regions, especially in the developing world, are still extremely weak and will probably remain so for the next several years. The industrialized nations, particularly the United States, are leading the recovery, while the centrally planned and developing countries are behind.

The recovery is generating welcome but weak improvements in the demand outlook for agricultural products. U.S. agriculture is not benefiting greatly because the increases in demand are not great, foreign supplies are

abundant, and the continuing strength of the dollar is making U.S. exports less competitive. The world recovery is likely to make further gains in 1984, and if it does U.S. exports can be expected to increase.

The major areas of strength in the recoveries of the industrialized countries appear to be rising consumption and growing inventories. The 4-percent increase in production from fourth-quarter 1982 to second-quarter 1983 came in the same period that inventories began to stabilize; the inventory liquidation that worsened the recession in 1982 seems to have run its course. Inventories can be expected to build through 1983 as long as consumption continues to increase. In most industrialized economies, retail sales were higher in May than a year earlier. Consumption is increasing because real wages, adjusted for inflation, are rising, and unemployment is stabilizing or decreasing in most countries. In overseas

Economic growth and consumer expenditures¹

Country	1977-79	1981	1982	1983 ²	1977-79	1981	1982	1983 ²
	Gross national product				Consumer expenditures			
Canada	2.9	3.1	-4.8	1.9	2.5	1.9	-2.5	0.7
France	3.4	.4	1.6	0	3.8	2.3	3.4	.2
Germany	3.4	-2	-1.1	.5	3.5	-1.2	-2.3	-5
Italy	3.2	.1	-3	-1	3.5	3.0	1.8	1.5
Japan	5.2	3.8	3.0	2.8	4.8	.5	4.2	4.1
United Kingdom	2.5	-2.2	.7	1.5	3.5	.5	1.1	2.0
Weighted average	3.8	1.2	.7	1.4	3.8	.7	1.4	1.6

¹Percent change from year earlier. ²Forecast.

Source: IMF

economies, as in the United States, increases in consumption in the first stage of the recovery have been concentrated mostly in durable items—autos and appliances. Consumption will probably broaden into nondurables—including food, fiber, and beverages—as recoveries progress. Hence, a continuing rise in overseas consumption expenditures will gradually benefit U.S. agriculture, but the gains will likely be small.

The current strength of the developing economies results mainly from rising commodity prices. Through May, the International Monetary Fund (IMF) index of prices of internationally traded goods was 6.5 percent higher than the 1982 average, and 10 percent higher than the 1982 low during the fourth quarter. Some of this increase includes higher prices for foods that developing countries import, but much is due to the higher prices for their exports: bananas, copper, copra, coconut oil, peanut oil, palm oil, and rubber. Their total export revenues will likely increase—a forecast based upon the rise in prices and a recent IMF projection for international trade growth of 1 percent for 1983 (*World Economic Outlook*, 1983). Still, foreign exchange will be scarce, and developing countries are not likely to increase their overall demand for U.S. agricultural exports, especially commercial sales, in 1983 and perhaps 1984.

World economic growth is projected to be 1.9 percent in 1983, up from 0.5 in 1982 and slightly higher than the 1.8-percent growth projected in the June *World Agriculture Outlook and Situation*. Most of this increase in the projected 1983 rate stems from expectations of a faster growth rate in the United States—3 percent. Also, the Canadian economy appears much stronger than it did several months ago. As a group, the industrialized countries—the United States, Canada, Japan, Australia, and Europe—are likely to realize growth of 1.9 percent in 1983. The developing countries are projected to have a growth rate of 1.6 percent, the same as in 1982. Finally, the growth rate of the centrally planned economies is projected at 2.4 percent, down from 2.5 in 1982. World growth in 1984 is projected to be 3.3 percent, a forecast for some strengthening in the recovery through next year.

The Industrialized Economies

Recovery Still Unsteady

Evidence of recovery in the industrialized nations was increasingly widespread from the first to the second quarter of this year. Quarterly figures for gross national product (GNP) accelerated, retail sales increased over

comparable periods in 1982, unemployment declined in some countries, interest rates generally declined from January to July, and inflation remained moderate. Yet the rates of recovery are disparate among countries, with some nations appearing to remain in a recession; growth rates for the major industrialized countries could range from 2.8 percent for Japan to -0.1 for Italy, according to the recent IMF *World Economic Outlook*. Even within countries that expect growth this year, performances of different economic sectors will be uneven. Consumer expenditures will likely be relatively strong, with exports weak and investment probably negative. Fiscal and monetary policies will probably continue to be used in an attempt to limit inflation while providing enough stimulus to maintain economic growth, although some diversity in policies is expected.

Increases Likely in Retail Sales

Retail sales for the United States, Canada, Germany, and the United Kingdom began rebounding in the first quarter and continued in the second. These increases suggest that demand for food and fiber is somewhat stronger than 1 year earlier or even 6 months earlier. In France, Italy, and the Netherlands, however, retail sales have not picked up appreciably. The outlook calls for little change in farm product demand in the United States' major markets over the next few quarters. For the United States, Japan, Canada, and the United Kingdom, however, retail sales might improve because of stabilizing or declining unemployment and rising wages. Adjusted for inflation, wages and earnings in Japan and the United Kingdom averaged between 2.5 and 3 percent growth during January-April; these gains might continue to be reflected in consumption the rest of the year. Germany's retail sales may decline a bit because unemployment continues to rise and earnings are not increasing faster than inflation.

Consumer expenditures in these countries make up 60 to 65 percent of gross national expenditure. The countries with higher rates of growth in consumption will tend to fare better overall than other nations in 1983 because other sectors of most countries' economies are very weak. For example, the countries that showed the greatest gains in total sales from fourth-quarter 1982 to first-quarter 1983 are also the ones whose GNP increased fastest during the period.

Other Sectors Lag

Investment spending in the industrialized countries will lag in 1983; exports and governmental expenditures probably will do the same. Despite some residential con-

struction, particularly in the United States and Germany, and inventory rebuilding, investment in plant and equipment, which would improve economic growth rates through 1985-87, has not yet occurred. The IMF recently projected that gross fixed investment would decline 0.2 percent in the major foreign industrialized countries—Canada, France, Germany, Italy, Japan, and the United Kingdom. If the projection is correct, 1983 will be the third straight year of investment decline.

Merchandise exports will likely increase in 1983 after declining last year, according to the IMF. Still, the growth in export volume, projected to be about 2 percent on a GNP-weighted basis for the major foreign industrialized countries, will be well below the 5-percent average from 1973 to 1979. Japan's export volume, for example, is forecast to increase less than 1 percent, compared with an average annual increase of nearly 8 percent from 1973 to 1979.

Farm Product Demand Probably Weak

Demand for agricultural products may increase fastest in the countries where consumption is rising now. Again, these countries seem to be the United States, Canada, Germany, and the United Kingdom. However, consumption gains and increases in demand are apt to be small. Further, unemployment rates are likely to remain high in Europe through 1983 and perhaps 1984. Overall, weakness in investments, government expenditures, and exports suggests that the prospects for economic growth in the developed countries over the next several years will be low by historical standards. Hence, growth in demand for agricultural products will probably be weak.

The Developing Economies

Asian Growth Highest

Growth prospects among the developing countries in 1983 appear to be the best in Asia (5 percent), followed by North Africa and the Middle East (3.4 percent) and Sub-Saharan Africa (2 percent). In Latin America, a 2.5-percent slide is expected. Asian growth will likely be based upon exports, primarily to the United States. Rising demand for petroleum may stimulate economic growth in North Africa and the Middle East. Currency depreciations and foreign exchange constraints will continue to dampen growth in Sub-Saharan Africa, but rising commodity prices have already improved the prospects for the region's export earnings. Latin America will likely be in recession for the second consecutive year because of huge debt constraints, policies implemented to alleviate debt burdens, and weak export markets.

Asia's developing countries—especially Hong Kong, South Korea, Singapore, and Taiwan—appear poised to benefit from improvements in the U.S. economy. Already, some data suggest that their exports have recently picked up as a result of U.S. growth, and it seems likely that U.S. demand for their goods will continue upwards. Increasing rates of industrial production in the United States, Canada, Japan, and the United Kingdom have probably improved the export prospects of the commodity-based economies in Asia, notably Malaysia, the Philippines, and Thailand. India's economic growth will likely be strong if its harvest is as good as projected. However, demand for agricultural products in developing Asia may not increase much despite the region's project-

ed growth, because much of the growth will likely be in exports rather than in consumption.

Prospects for North Africa and the Middle East depend largely on petroleum markets. Demand for Middle Eastern petroleum seems to be increasing; oil production in the Organization of Petroleum Exporting Countries (OPEC) reportedly is at about 17.5 million barrels per day, up from 14.5 million in February, when the OPEC benchmark price for crude oil dropped \$5, to \$29 per barrel. Continuing strength in the recoveries in the industrialized countries will underpin demand for oil. North Africa and Middle East imports in general, and food imports in particular, remained stable in 1982, unlike purchases of most other developing regions. Large financial reserves and some likely strengthening in export revenues over the year could keep agricultural demand stable into 1984.

Sub-Saharan Africa will continue to have economic and financial difficulties over the next 4 quarters even though prices for many of the region's export commodities have increased since last fall. Trade volumes will not increase much, debt-service costs will be high for the region, and import growth will be constrained by foreign exchange limitations. For much of West Africa, exports could be especially weak, because of France's need to curb imports.

The implications of continuing foreign exchange shortages in Latin America are significant for U.S. exports. Already, some Latin countries have cut back on food and fiber imports to save dollars. ERS's trade forecast for fiscal 1983 shows that total exports to the region could decline almost 10 percent; they declined nearly 30 percent from 1981 to 1982. Export growth to Latin America will likely be extremely low over the next several years or longer.

Brazil continues to be financially hard pressed, and its recent tentative agreement with the IMF suggests that Brazilian consumption will be further depressed through 1983. As part of the accord, Brazilian officials agreed to limit wage and benefit gains to 80 percent of inflation, down from 100 percent. Also, employment continues to decrease in the industrial heartland, Sao Paulo, and is down about 20 percent since late 1980. Brazil's trade surplus was \$3 billion for the first half of the year, but its overall balance-of-payments deficit could be as high as \$8 billion, \$1.1 billion above the target. These conditions will affect U.S. exports directly, because Brazilian demand will be lower than last year, and indirectly, because recession in Brazil will reduce business activity in neighboring Latin nations. [Art Morey (202) 447-8470]

INPUTS AND FINANCE

Energy

Oil Markets Improve

After a prolonged period of declining demand and falling prices, the world oil markets seem to be improving. The reasons are the beginning of economic recovery in the industrial countries and the end of a large oil stocks overhang. Still, 1983 will probably emerge as the year when oil production and prices reached their lowest point in recent years.

In a 4-year fall, world oil production dropped from its peak of 62.6 million barrels a day in 1979 to 52.3 this

World crude oil production¹

Country	1981	1982	1983 ²
Million barrels/day			
OPEC	22.7	18.7	17.4
USSR	11.8	12.3	12.4
USA	8.6	8.7	8.6
Mexico	2.3	2.7	2.7
Canada	1.3	1.2	1.2
North Sea ³	2.3	2.6	2.8
China	2.0	2.0	2.1
Other	4.8	5.0	5.1
Total	55.8	53.2	52.3

¹Excluding natural gas liquids. ²Forecast. ³Denmark, Norway, and United Kingdom.

year. Similarly, the world average crude price peaked at \$35.53 a barrel in February 1981 and slid to \$28.55 this April, as demand for oil continued to decline.

In an effort to prevent a free fall of prices and a further erosion of OPEC's world market share, the OPEC oil ministers in mid-March cut their official price for crude from \$34 to \$29 a barrel. This was the first such drastic move in the organization's history. The ministers also established a combined production ceiling for member countries of 17.5 million barrels a day. Each member was assigned an output quota, except Saudi Arabia, which became a "swing producer," adjusting its output to support the new price structure.

The agreement has proved effective so far; member countries have generally stuck to their quotas and avoided underpricing each other. The cooperation of major non-OPEC exporters—principally Mexico, the Soviet Union, and the United Kingdom—was essential to maintaining the official price. The OPEC semiannual ministerial conference in Helsinki on July 18 reaffirmed the organization's production quotas and the established price.

If the OPEC action prevented a further deterioration of the world petroleum market, a steady increase in prices since April resulted from the improved world economic outlook, depletion of large stocks held by oil companies, and anticipation of the normal winter surge in demand. By August, spot crude prices neared the official OPEC price.

The improved energy market, however, is still limited to petroleum. In the case of coal, the prolonged period of declining oil prices and rising transportation costs meant falling international trade and prices. For nuclear power, technical difficulties, mounting construction costs—including high interest rates and the long waiting period between investment and returns—and declining energy demand have made its development relatively unattractive. The same factors have dried up funds for the development of synthetic and nonconventional fuels.

But even in the case of oil, the scope for price increases may be limited; demand is likely to grow slowly, and many producers, such as Nigeria and Mexico, face financial difficulties and are eager to increase production and export earnings. The Soviet Union would also like to increase its foreign exchange earnings by expanding oil exports. Moreover, should the war between Iran and Iraq stop, both countries would be under great pressure to market an additional 4 million barrels a day to finance their recovery.

Thus, the energy outlook for the rest of the year, and probably for the beginning of 1984, is plentiful oil sup-

plies at moderately increasing prices. Natural gas prices should also be rising. [Francis Urban (202) 447-8106]

Exchange Rates

Interest Rates Underpin Dollar Rise

The upward movement in U.S. interest rates has reinforced the notion that the dollar is the currency to hold. The attractiveness of U.S. rates of return has led many investors and speculators to almost exclusive reliance on dollar deposits. In addition, inflation in the United States remains among the lowest in the industrialized world; the inflation-adjusted interest rate gives the dollar a significant advantage over other major currencies, particularly the German mark. Most foreign exchange traders expect U.S. interest rates to head even higher, while those of other major countries will either fall or remain at present levels. As a result, many think the U.S. dollar will appreciate further.

Believing that the rapid rise by the dollar in late July and early August was leading to an unstable market, the U.S. and several other major governments, through their central banks, stepped in to sell U.S. currency in an attempt to halt its rapid appreciation. While such an action actually did slow the dollar's rise, the result may be a longer term bull market and a stronger currency than would otherwise be the case. First, when market sentiment is running in favor of the dollar, a central bank effort to reverse the trend may simply reinforce the consensus view. Second, the selloff of a currency lowers its price and makes it that much more desirable. As a consequence, more individuals may have stepped in to buy dollars at the expense of central banks.

German Mark Very Weak

The U.S. dollar registered a 9-1/2-year high relative to the German mark in early August, promising to go

Foreign currency units per U.S. dollar

Year	Mark	Yen	Pound	Guilder	C. Dollar
1979	1.833	219.2	.4713	2.006	1.171
1980	1.818	226.4	.4299	1.987	1.169
1981	2.257	220.2	.4983	2.492	1.198
1982	2.427	248.8	.5722	2.669	1.233
Jan.	2.293	224.7	.5300	2.513	1.192
Feb.	2.365	235.1	.5410	2.593	1.214
Mar.	2.379	241.1	.5536	2.617	1.220
Apr.	2.395	243.9	.5638	2.658	1.225
May	2.312	237.0	.5521	2.568	1.233
June	2.427	251.2	.5685	2.680	1.275
July	2.464	255.0	.5760	2.719	1.268
Aug.	2.477	258.7	.5791	2.723	1.244
Sept.	2.504	263.0	.5837	2.740	1.234
Oct.	2.531	271.3	.5890	2.759	1.229
Nov.	2.553	264.0	.6119	2.786	1.226
Dec.	2.419	241.0	.6180	2.671	1.238
1983					
Jan.	2.389	232.5	.6341	2.628	1.228
Feb.	2.428	236.1	.6525	2.676	1.227
Mar.	2.408	238.0	.6706	2.681	1.226
Apr.	2.439	237.6	.6505	2.747	1.232
May	2.465	234.7	.6358	2.772	1.228
June	2.548	240.0	.6456	2.854	1.232
July	2.590	240.4	.6539	2.886	1.233
Aug. ¹	2.64	243.0	.658	2.93	1.24

¹Preliminary.

higher still. A primary reason has been the weakness in the German economy. Demand for German exports has grown very slowly, and low interest rates are inducing capital movements into other countries. In addition, the placement of nuclear missiles in West Germany this fall has markedly increased the probability of political turmoil. When this factor is combined with West German proximity to Eastern Europe, it makes stability-seeking foreign exchange traders very nervous about holding or acquiring marks.

Dollar Strong Into Autumn

High interest rates, combined with tacit central bank acknowledgement of the dollar's strength, should be sufficient to keep the dollar at current or higher levels well into the fall. U.S. currency is expected to peak at slightly below 2.8 marks and 250 yen before mid-October, with a gradual erosion thereafter. The end-of-year values are likely to be 2.55 to 2.6 marks per dollar and 235 to 240 yen. Despite the projected decline in the dollar's value, however, it will almost certainly be too little to boost U.S. agricultural trade. In general, the slight drop in the end-of-year value of U.S. currency relative to other major currencies will be overwhelmed by its expected appreciation against those monies used in the less-developed world, most notably the Mexican peso and the Brazilian cruzeiro. [David Stallings (202) 447-8054]

Agricultural Commodity Prices

During the summer, grain and soybean prices were heavily influenced by the weather, the Payment-in-Kind

(PIK) program, and disappointing export movements. The biggest factor lending support to corn and soybean markets was the hot, dry weather. Wheat prices, though, have fallen, reflecting the seasonal downturn at harvest-time and better-than-expected yields, but prices are still above a year earlier.

Wheat Prices To Increase

With exceptionally good weather during the winter and continued favorable growing conditions in spring wheat areas, record-breaking yields are anticipated for the wheat crop. Because of large opening stocks, the PIK program is only keeping total supplies from rising above last year. With huge supplies and slackened overseas demand, domestic prices are not expected to increase much from last year. Even though harvesttime prices are below the \$134-a-ton loan rate, heavy use of the loan should allow 1983/84 farm prices to average between \$129 and \$136, compared with \$130 in 1982/83. U.S. export prices are currently slightly lower than last year, at about \$150 a ton. The forecasts of continued large supplies, reduced export volume, and low prices set the stage for another acreage reduction effort. The Secretary announced a 1984 program that reduces the loan rate and includes an acreage reduction and a payment-in-kind.

Corn Prices Climb

Hot, dry weather in early July over many of the major corn areas and some producer reluctance to sell available stocks pushed prices up to the release for reserve IV corn, \$124 a ton, on July 15. Continued searing weather,

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2 ¹	Argentina ²	Canada No. 1 ³	Australia ⁴	U.S. No. 2 yellow ⁵	Argentina ²	U.S. No. 3 yellow ⁵	Decatur	Dutch ⁶	Decatur	Hamburg ⁶
Dollars per ton											
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	278	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
1981	176	190	194	175	135	139	272	464	507	223	269
1982	161	166	165	160	110	109	233	404	447	197	233
Jan.	175	177	181	167	109	120	247	408	455	212	250
Feb.	173	180	172	165	115	114	244	404	454	194	247
Mar.	170	179	160	158	116	110	240	407	452	204	242
Apr.	171	179	162	158	120	112	250	430	483	210	250
May	168	176	168	159	120	112	254	453	510	212	248
June	152	164	157	158	110	108	241	427	472	203	231
July	152	160	163	154	113	119	241	420	463	199	223
Aug.	154	163	160	154	106	116	226	393	430	186	216
Sept.	155	161	160	159	102	105	214	383	427	178	216
Oct.	141	151	159	158	94	93	201	381	416	173	210
Nov.	157	149	163	162	106	98	220	384	403	193	224
Dec.	161	148	170	167	107	103	222	359	399	196	236
1983											
Jan.	166	148	167	167	109	104	225	364	397	199	239
Feb.	165	143	167	166	118	114	227	381	395	194	232
Mar.	167	141	170	169	124	123	228	391	374	197	228
Apr.	168	134	170	171	134	133	242	427	434	206	233
May	163	125	167	165	135	125	238	437	434	203	231
June	151	128	164	163	136	122	233	435	425	194	222
July	148	138	163	157	141	131	251	476	477	211	236

¹Hard winter ordinary protein, f.o.b. Gulf ports. ²F.o.b. Buenos Aires. ³Western red spring 13.5% protein, in store Thunder Bay. ⁴July-June crop year, standard white, f.o.b. selling price. ⁵F.o.b. Gulf ports. ⁶F.o.b. ex-mill.

and forecasts for more of the same, kept farm supplies tight, and prices rose further, reaching the trigger level of \$128 for reserve V, which was released on July 26. Prospects that the new-crop harvest may be well below previous expectations pushed prices in July about 30 percent above a year earlier, despite slow export movements this summer. Farm prices for corn this marketing year will likely average around \$104 a ton. With a much smaller crop and larger exports anticipated for next year, ending stocks will likely fall by two-thirds, pushing farm prices higher for a second year.

Cotton Prices Rise

U.S. cotton prices trended upward through most of 1982/83, as the PIK program and reduced Soviet competition affected the market. Interestingly, through March 1983, U.S. price increases were not matched by competitors, although U.S. price premiums hurt export prospects. However, since April, U.S. prices, although increasing, have become competitive with foreign prices, and U.S. exports may increase slightly in 1983/84 as the world economy improves.

Oilseed Prices Fluctuate

U.S. soybean prices fluctuated widely in the 1982/83 crop year. For October-December, U.S. soybean prices, Chicago, averaged about \$197 a ton. By May, prices were \$222 a ton, up 14 percent. In mid-July, adverse weather in the major soybean-producing States led to expectations of lower yields and high prices. Chicago prices hit \$275 a ton, bringing the 1-year span in prices to almost 40 percent. The U.S. season average farm price for 1982/83 soybeans is estimated at \$205 a ton. With tightening supplies, 1983/84 prices are likely to improve, but because of the somewhat weak export outlook they may not remain as high as in recent weeks. The season-average farm price is forecast from \$210 to \$265 a ton. [Bradley Karmen (202) 447-8857]

U.S. AGRICULTURAL TRADE

Dollar, Recession Erode Export Position

After a 10-percent appreciation in 1981, the dollar gained another 9 percent against principal foreign currencies in 1982, further eroding the competitiveness of U.S. products on world markets. This came at a time when improved agricultural production, increased foreign debt problems, and stagnant world economic conditions reduced foreign demand. As a result, exporters aggressively sought to maintain or expand their market shares, and they have continued to do so in 1983.

Exports Decline Further in 1983

U.S. agricultural exports in fiscal 1983 are now forecast to fall 12 percent to \$34.5 billion. This marks the second consecutive year of downturn, after 12 straight years of expansion. Grain exports got off to a slow start last fall and have not yet recovered. The export volume estimate is 143.5 million tons, 9 percent below a year earlier.

Export progress for the first 10 months of fiscal 1983 (October 1982-July 1983) shows a continuation of the sluggishness that began in the summer of 1981. Exports for the period totaled \$29.3 billion, down 15 percent or \$5

billion from a year earlier. Approximately two-thirds of the decline can be attributed to lower volume.

The outlook for fiscal 1984 appears somewhat brighter. The PIK program, which will reduce U.S. supplies of grain, should continue to support export prices next year, as should the recently signed grain agreement with the Soviet Union. Next year's farm exports will likely increase in value.

Soybeans and Products Largest Earner

Exports of soybeans and soybean meal were initially expected to provide a much needed lift in 1983, with world demand forecast relatively high. These expectations faded in the spring and early summer as European crushing margins declined and Brazilian and Argentine

U.S. agricultural export values¹

Commodity	1980	1981	1982	1983 ²
<i>Billion dollars</i>				
Grains and preparations	17.2	20.3	16.1	14.0
Wheat	6.3	7.7	7.4	6.2
Wheat flour	.2	.3	.2	.2
Rice	1.2	1.5	1.1	.8
Feed grains	9.1	10.4	7.0	6.5
Oilseeds and products	9.8	9.3	9.5	8.6
Soybean cake and meal	1.6	1.6	1.5	1.4
Soybeans	6.2	6.0	6.5	5.8
Soybean oil	.8	.5	.5	.5
Animals and products	3.8	4.1	4.1	3.8
Hides and skins	1.1	1.0	1.0	1.0
Red meats, incl. offals	.9	1.0	1.0	.9
Animal fats	.8	.8	.7	.6
Poultry products	.5	.8	.6	.4
Dairy products	.2	.2	.4	.4
Fruits, vegetables, & nuts	3.0	3.6	3.4	2.8
Cotton, incl. lint	3.0	2.2	2.2	1.7
Tobacco	1.3	1.3	1.5	1.4
Feeds and fodders	1.1	1.1	1.0	1.1
Other	1.3	1.9	1.3	1.1
Total	40.5	43.8	39.1	34.5

¹Fiscal year. ²Forecast.

U.S. agricultural export volume¹

Commodity	1980	1981	1982	1983 ²
<i>Million tons</i>				
Wheat	36.1	42.2	44.6	37.0
Wheat flour	.9	.9	.9	1.5
Feed grains	71.2	69.0	57.9	53.2
Rice	3.0	3.2	2.9	2.2
Feeds and fodders	6.2	5.8	6.0	6.5
Soybeans	23.8	20.0	25.5	24.5
Soybean meal	7.2	6.1	6.3	6.4
Other oilcake and meal	.4	.4	.3	.2
Soybean oil	1.2	.7	.9	.9
Other vegetable oils	.6	.9	.7	.7
Sunflowerseed	1.9	1.4	1.5	1.3
Cotton, including lint	2.0	1.3	1.6	1.2
Tobacco	.3	.3	.3	.2
Fruits, vegetables, & nuts	3.7	4.2	3.9	3.4
Beef, pork, & variety meats	.4	.4	.4	.4
Poultry meat	.3	.4	.3	.2
Animal fats	1.6	1.5	1.5	1.4
Other	3.1	3.6	2.6	2.3
Total	163.9	162.3	158.1	143.5

¹Fiscal year, actual export tonnages. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc. ²Forecast.

soybean meal entered the market. The present export forecast calls for a 1-million-ton reduction in soybeans and a slight increase in soybean meal from last year. Meanwhile, the soybean oil market has benefited from blended credit sales to Yugoslavia. Soybean exports to Yugoslavia accounted for over 20 percent of shipments through July.

Feed Grain Sales Down

Over the past few years, feed grain exports have shifted to Pacific rim countries—notably Japan, Korea, Taiwan, and China—and away from Europe and the Soviet Union. Through July, exports to the four leading Asian markets were each up at least 1 million tons from the previous year, while European and Soviet imports from the United States were down by one-half. The latter markets have shown signs of structural and policy adjustments that have reduced U.S. feed grain exports. For example, in the European Community (EC), the minimum price for grains marketed domestically has risen 7 percent annually during the past 3 years, while world prices have actually declined. This has limited U.S. sales and encouraged surplus EC production of wheat and barley.

Reduced Mexican feed grain crops last fall could result in U.S. shipments of over 8 million tons in 1982/83. Through July, Mexico had purchased 7.1 million tons of corn and sorghum, compared with 1 million a year earlier.

Markets such as Poland, East Germany, and Romania pushed U.S. feed grain sales to Eastern Europe up to 7.5 million tons in 1980. However, constraints affecting the pork and poultry sectors over the past few years could limit sales to less than 2 million tons this year. The Soviet Union has indicated that it will diversify its supply of imported grains, taking proportionately less from the United States.

China, USSR Cut Wheat Purchases

Wheat and flour exports for October-July totaled 32 million tons, 17 percent below a year earlier. This reduction came despite a 3-million-ton increase in exports to India. The two largest markets—China and the Soviet Union—have purchased substantially less U.S. wheat this year, largely because their crops improved and they increased buying from other suppliers.

Competition Keen in Rice Markets

Thailand, Taiwan, China, and Pakistan are aggressively marketing their rice this year, selling at significantly lower prices than the United States. Foreign competition has cut U.S. rice exports to Nigeria, formerly one of our largest markets. As a result, U.S. rice exports are expected to fall by nearly a fourth in fiscal 1983, to 2.2 million tons, with the bulk of that decline in milled rice.

Corn Gluten Feed Exports Growing

One of the few commodities that has expanded during the present export downturn has been corn gluten feed, largely because of the Common Agricultural Policy of the EC. The EC imposes a variable levy on imported grains, and that currently raises the import price 50 to 60 percent. Meanwhile, corn gluten feed, soybeans, and other nongrain feeds enter the EC duty free. Shipments were 3.3 million tons through July, up a fourth from last year.

Cotton Losing Market Share

Cotton exports through July fell 26 percent from a year earlier. Although most of the major textile producers—China, Japan, Korea, Taiwan, and Hong Kong—have lower import needs in 1983, the U.S. export reduction also reflects a loss of market share. Nonetheless, export prices have rebounded to \$1,500 a ton, with the expectation of a 35-percent reduction in the 1983/84 U.S. cotton crop. [Steve Milmo (202) 447-8054]

WORLD COMMODITY DEVELOPMENTS

Food Grains

The 1983/84 world wheat harvest, expected to about match last year's record, will be augmented by huge opening stocks, pushing supplies to the largest ever. For the third consecutive year, production will exceed use, and stocks will continue to mount, keeping world prices near last year's lows.

More than a third of U.S. wheat land has been idled under 1983 acreage reduction programs. However, total U.S. wheat supplies in 1983/84 are expected to be unchanged from last season's record, even though production is down 10 million tons to 66.4 million. Foreign production is likely to offset the lower U.S. output, surpassing last year's record. Records in China and India and recovery from drought for the Australian crop will be the major increases. Slightly smaller crops are anticipated in both Western and Eastern Europe, Canada, and Argentina. The Soviet crop will be about the same as last year's disappointing output.

World wheat use will fall below last year because of a substantial drop in Soviet use. The Soviets will feed the smallest amount of wheat since the mid-1970's, because of an expected jump in coarse grain output. Outside the USSR, though, wheat consumption will increase only moderately.

World wheat trade in 1982/83 and 1983/84 is best characterized as a buyer's market. With the exception of last year's drought-reduced crop in Australia, the major exporters' supplies are plentiful and inexpensive. Trade in 1983/84 is forecast at 99 million tons (July-June, excluding intra-EC trade), about the same as last year. Record exports by Canada and Argentina, a substantial increase by Australia, and continued large shipments by the EC could diminish U.S. sales for the second consecutive year.

Imports by the EC are projected to increase from last year because of a poorer quality crop. Eastern European imports will likely rise because of a smaller crop and a delay in Yugoslavian imports under GSM-102. Mexico will continue to import heavily because of a poor output. The Soviets will likely import about 18 million tons this year, a drop of several million, because of a better quality wheat crop and larger coarse grain output. The U.S. share of the Soviet market will increase because of the larger minimum requirement in the new Long-Term Agreement beginning October 1.

Rice Output and Trade Up Slightly

World rice output in 1983/84 is expected to exceed the 1982/83 record marginally. Consumption may decline slightly because of the lower output expected in China, but global use may still exceed production, as it has for the past 4 years. Total exports in 1983 may rise almost 9

Wheat: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	76.2	23.2	49.1	76.4	25.2	39.8	66.0	27.4	38.0
Canada	24.8	5.2	17.8	27.6	4.9	21.2	30.0	4.9	21.5
Australia	16.4	3.9	11.0	8.8	4.1	8.0	17.0	3.3	11.0
EC-10	54.4	44.6	11.0	59.6	44.4	11.0	58.6	46.2	11.0
Argentina	8.3	4.2	4.3	14.5	4.2	7.4	11.5	4.3	8.0
Turkey	13.2	13.4	-.4	13.8	14.0	.4	13.3	14.4	.4
Major importers									
USSR	80.0	99.0	-19.0	86.0	106.0	-20.0	85.0	95.5	-17.5
China	59.6	72.8	-13.2	68.4	81.4	-13.0	76.0	88.0	-12.0
Eastern Europe	30.5	35.4	-4.4	34.7	35.5	-1.7	31.8	34.4	-2.9
Other W. Europe	6.5	9.3	-1.4	8.4	8.7	-.2	8.4	9.0	-.1
Brazil	2.2	6.3	-4.5	1.8	6.3	-3.6	1.7	5.9	-4.1
Mexico	3.1	4.0	-.9	4.2	4.3	-.1	3.0	4.5	-1.4
Other Latin Am.	1.5	8.1	-6.5	1.3	7.6	-6.2	1.4	7.8	-6.5
Japan	.6	6.1	-5.4	.7	6.0	-5.4	.7	6.0	-5.3
India	36.3	36.3	-2.3	37.8	38.3	-3.9	41.0	42.0	-2.0
South Korea	.1	2.0	-2.0	.1	1.9	-1.8	.1	2.1	-2.0
Indonesia	0	1.4	-1.4	0	1.5	-1.5	0	1.6	-1.6
Other Asia	16.7	22.3	-6.1	17.0	23.3	-6.3	17.4	23.7	-6.6
Egypt	1.9	7.7	-5.8	2.0	7.9	-6.0	2.0	8.0	-6.1
Morocco	.9	3.2	-2.2	2.2	4.0	-1.8	1.8	3.8	-2.0
Other N. Africa/ Mideast	9.9	16.1	-5.6	9.1	16.3	-6.8	9.3	16.7	-7.3
Other Africa	5.8	13.2	-7.8	5.5	13.3	-8.0	4.2	13.8	-9.1
Residual	.3	4.9	-4.3	.5	9.1	-1.5	.2	4.2	-3.4
World	449.2	442.6		480.4	468.2		480.4	467.5	

¹Trade on July-June years. ²Forecast.

Rice: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	6.0	2.2	2.5	5.0	2.2	2.2	3.5	2.3	2.2
Thailand	12.4	8.6	3.6	11.4	8.6	3.5	12.2	8.9	3.2
Pakistan	3.4	2.2	.8	3.4	2.3	1.3	3.5	2.3	1.2
China	97.9	97.7	.2	109.6	109.1	.6	103.4	102.7	.6
India	53.6	54.4	.6	46.0	48.1	-.1	53.5	51.8	.2
Burma	8.5	7.8	.7	9.0	8.2	.8	8.8	7.9	.9
Japan	9.3	10.6	.3	9.3	10.9	.4	9.1	9.5	.3
Italy	.6	.3	.1	.6	.3	.5	.7	.3	.5
Australia	.6	.1	.5	.3	.1	.3	.5	.1	.3
Major importers									
Indonesia	22.3	22.3	-.3	23.2	24.0	-2.0	23.0	25.0	-1.5
South Korea	5.1	5.5	-.2	5.2	5.5	-.1	5.1	5.6	-.1
Bangladesh	13.6	14.1	-.4	14.2	14.6	-.1	14.4	14.4	-.1
Vietnam	8.2	8.3	-.1	9.0	9.0	+.1	8.8	8.7	+.1
Other Asia	16.8	17.1	-.7	16.2	16.9	-.2	16.6	17.0	-.1
USSR	1.6	2.3	-.7	1.6	1.9	-.4	1.8	2.1	-.4
Brazil	6.2	6.4	-.1	5.3	6.3	-.4	6.5	6.5	-.4
Other Latin Am.	4.7	4.5	+.2	4.7	4.7	+.1	4.4	4.8	-.1
Iran	.9	1.4	-.5	.9	1.5	-.7	.9	1.5	-.7
Other N. Africa/ Mideast	.3	3.1	-1.5	.4	1.9	-1.7	.4	1.9	-1.6
Malagasy	1.3	1.6	-.4	1.3	1.6	-.3	1.3	1.5	-.3
Nigeria	.7	1.4	-.6	.9	1.5	-.6	1.0	1.6	-.7
Other Africa	3.1	5.0	-2.0	3.3	5.3	-2.1	3.3	5.4	-2.0
Residual	.8	1.9	-2.0	.5	2.2	-1.1	0	1.8	-1.5
World	277.9	278.8		281.3	286.7		282.7	283.6	

¹Trade on calendar years; calendar 1982 corresponds to 1981/82. ²Forecast.

percent, but they are likely to decline again in 1984. Ending stocks continue to decline and may reach the lowest level since 1974/75. Prices, however, remain depressed.

World production of milled rice in 1983/84 is forecast at 283 million tons. The expected 30-percent drop in U.S. output is likely to be offset by the 1-percent rise in foreign crops. China's production is expected to drop 6 percent from the outstanding 1982/83 crop. With the onset of the monsoon, India's crop is now forecast up 15 percent from last year's poor showing.

World trade in calendar 1983 is likely to be up 1 million tons from last year's depressed level. However, total exports this year will probably be below the 1981 record. The biggest importer will be Indonesia, expected to take 2 million tons, after needing only 500,000 and 300,000 tons in the last 2 years. Many other major markets are buying less rice this year, especially the USSR, Nigeria, and Bangladesh. Most exporters—except for the United States, India, and Thailand—are increasing sales in 1983. Thai exports will fall slightly from last year's record, but major increases have been made by Pakistan, China, and Taiwan.

The outlook for U.S. exports has continued to deteriorate this year, as the price difference between Thai and U.S. rice has widened. Despite some blended credit sales and 0.4 million tons of food aid allocations for fiscal 1983, U.S. exports in calendar 1983 are forecast to fall to 2.2 million tons, from 2.5 million in 1982. [Bradley Karmen (202) 447-8857 and Eileen M. Manfredi (202) 447-8912]

Coarse Grains

Record foreign production and use and a slightly improved trade volume are forecast for 1983/84. Despite a sharp reduction in U.S. stocks, world stocks will be more than ample to meet projected demand. Major factors affecting the global coarse grain situation include higher world prices, an expected larger Soviet harvest, poor outturns in Mexico and South Africa, and stagnant demand for livestock products.

Record yields and near-record area are forecast for 1983/84 foreign output. The largest increase in production is anticipated for the USSR, with a crop of over 100 million tons, compared with an average of 80 million the previous 4 years. Output is expected to be down in both Western and Eastern Europe. Taken together, production of the major foreign coarse grain exporters—Canada, Australia, Argentina, Thailand, and South Africa—will likely be up 10 percent from last year. Only Canada will show a decline. Canadian sowings were reduced because initial prices set by the Government were lowered by about 15 percent, reflecting an accumulation of stocks from slow export movement. The Australian and South African crops will likely be up from this year's drought-reduced outturns.

Soviet Crop Pushes Foreign Feed Use To Record

Total foreign feed use of coarse grains, excluding the USSR, is projected to hold steady in 1983/84. Nonfeed

Coarse grains: World production, consumption, and net exports¹

Country	1981/82			1982/83			1983/84 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Major exporters									
United States	249.0	154.2	58.3	255.5	166.8	52.9	167.3	162.2	58.5
Canada	26.0	18.3	6.3	26.6	18.7	5.8	23.1	19.0	5.3
Australia	6.6	4.0	3.3	3.6	3.1	.9	6.3	3.2	2.5
Argentina	18.4	6.6	10.2	17.4	6.8	11.5	17.6	7.0	10.7
Thailand	4.7	1.2	3.1	3.6	1.2	2.4	4.3	1.3	2.7
South Africa	8.8	8.2	4.6	4.3	8.0	1.6	10.2	7.9	-1.4
Major importers									
USSR	72.0	97.5	-20.4	86.0	98.5	-11.5	103.0	113.0	-11.0
China	80.8	82.1	-1.4	82.7	85.4	-2.6	85.0	88.0	-2.8
Eastern Europe	62.0	66.7	-3.9	71.6	72.4	-.9	64.4	66.8	-2.4
EC-10	67.8	73.9	-5.7	71.3	74.4	-5.1	68.0	73.0	-3.3
Other W. Europe	20.0	32.0	-11.7	21.8	32.5	-8.7	22.4	32.6	-9.2
Brazil	23.4	22.7	-.6	21.4	22.0	+.4	23.9	23.3	+.4
Mexico	16.9	21.0	-1.6	10.2	19.1	-7.3	13.1	19.3	-6.1
Venezuela	.8	2.6	-1.7	.8	2.2	-1.3	.9	2.4	-1.4
Other Latin Am.	7.9	10.2	-2.1	7.8	10.5	-2.3	7.9	10.3	-2.4
Japan	.4	19.1	-18.1	.4	18.8	-18.2	.4	19.5	-18.2
Taiwan	.1	3.9	-3.8	.1	4.2	-4.4	.1	4.2	-4.1
South Korea	.9	4.1	-3.1	.9	4.8	-3.7	.9	4.8	-3.9
Other Asia	44.8	46.6	-1.9	40.0	42.8	-2.3	43.1	46.0	-2.8
Egypt	4.0	5.0	-1.4	4.1	5.2	-1.5	4.1	5.5	-1.6
Iran	1.2	2.1	-1.1	1.2	2.4	-1.2	1.2	2.3	-1.2
Israel	—	1.1	-1.2	—	1.3	-1.2	—	1.3	-1.2
Other N. Africa/ Mideast	11.8	14.6	-3.2	11.6	15.0	-2.1	10.9	15.7	-3.1
Other Africa	36.4	38.8	-2.9	35.8	39.1	-2.1	37.4	41.4	-3.4
Residual	.8	-3.5	0	.9	-8.3	+.9	.8	2.8	-.6
World	765.5	733.0		779.6	746.9		716.3	772.8	

— = negligible.

¹Production and consumption on marketing year basis, trade on July-June year. ²Forecast.

use of grains has remained fairly constant as a percent of total use during the past 4 years, averaging 50 percent. The global recession continues to keep world demand for livestock products from expanding, limiting feed use of coarse grains to below trend for the third consecutive year. From 1960 to 1980, feed use grew about 4 percent per year, but since then the rate has been about half that.

Only in the USSR will feed use increase appreciably. Because of record livestock numbers, the demand for grain and nongrain feeds in the USSR is the highest since 1978. In the developing countries, feed use has been stagnant since 1981. During the 1970's, livestock industries progressed in the higher income developing countries—especially Mexico, Brazil, and South Korea—and feed use accelerated. But in recent years, a combination of smaller crops, droughts requiring distress slaughtering, and financial constraints, particularly in Eastern Europe and Mexico, has kept feed use from increasing.

In the foreign developed countries, feed use of coarse grains grew throughout the 1970's. Since 1980, however, it has fallen slightly. Australian use has slackened the past 2 years because of drought-induced slaughtering. Since 1980, feed use of grains in the EC has declined each year, despite increased livestock production. The pricing policies within the EC have favored expanded use of nongrain feed ingredients at the expense of feed grains. This year, to reduce its wheat surplus, the EC may begin a subsidized wheat feeding program, known as the incorporation scheme, and this could reduce coarse grain use even more. In non-EC Western Europe, feed use of coarse grains has not increased since 1979. However, Japanese feed use could increase in 1983/84, following 2 years of decline.

World Trade Shows Some Recovery

The volume of world coarse grain trade in 1983/84 is forecast to increase by over 3 million tons to 92 million (October-September, excluding intra-EC trade). Imports by the centrally planned countries have fallen drastically, from a peak of 34 million tons in 1981/82 to almost half that for 1982/83. Most of the decline is attributable to the USSR, which will likely reduce its imports to 11 million tons in 1983/84, the smallest since 1978. East European imports will be halved from 1980 because of relatively large crops and limited ability to pay. Imports by China are expected to be about 3 million tons—small in comparison with the USSR, but up for the second consecutive year.

Imports by the developing countries increased about 25 percent each year from 1976 to 1980. After falling in 1981 and increasing only slightly in 1982, developing-country imports could reach a record in 1983/84. The Africa and Middle East region is likely to be the fastest growing developing region in 1983/84. Imports by Algeria, Egypt, and Saudi Arabia are likely to keep up their rapid growth. In Asia, South Korea and Taiwan are the biggest growth markets, and both countries are expected to import record amounts of feed grains this year. Two years of reduced output will cause Mexico to repeat last year's large imports.

Imports by the developed countries will likely increase in 1983/84, despite long-term downward movement caused by decreasing EC imports; the EC is the largest importer among the developed countries. The trend reversal is expected because South African imports will likely be of unprecedented size; after exporting 2.3 mil-

lion tons last year and 4.7 million the year before that, South Africa will import about 2 million in 1983/84 to supplement the poor 1983 harvest. Japan imports more coarse grains than any other developed country and shipments will continue high this year. If Soviet imports are reduced this year as expected, Japan may retain its 1982/83 position as the largest coarse grain importer.

Most Exporters Increase Volume

With an increase in world trade, and with South African exports virtually nil for 1983/84, the other major exporters will be able to increase their shipments from last year. Much of the expected gain is slated for the United States; U.S. exports will increase about 5.5 million tons to 58.8 million (October-September). Australian exports will increase because of a recovery from last year's drought, and successive large harvests in Argentina have also increased its exportable supplies.

During the past 10 years, the U.S. share of world trade has been around 60 percent, except in 1979/80 and 1980/81. In those years, record imports and smaller supplies by our competitors boosted the U.S. share. In the past 2 years, despite reduced world imports, the United States has been able to maintain its 60-percent share, even though the volume of U.S. exports has fallen significantly from the peak at the end of the 1970's. [Bradley Karmen (202) 447-8857]

Oilseeds

The oilseeds outlook for 1983/84 is characterized by larger carryin stocks and lower production than in 1982/83. While production gained 6 percent in 1982/83, it is likely to fall in 1983/84. The expected gains for crush and exports will lower ending stocks and raise prices.

Production Down in 1983/84

World production of oilseeds in 1983/84 is forecast at 172.1 million tons, a 5-percent decline from last year. U.S. production may fall one-fifth below a year earlier. U.S. soybean output is estimated to fall almost 12 million tons because of smaller acreage and reduced yields. Corn prices were more attractive than soybean prices at planting time for both PIK participants and nonparticipants. Also, wheat PIK participants were not allowed to double-crop soybeans. As hot weather continues, U.S. yields may decline. Canadian rapeseed planting is up because high prices encouraged shifting acreage away from barley. Western Europe's sunflowerseed and rapeseed output will likely gain substantially.

China's crop acreage for most oilseeds may drop because of the shift in emphasis toward increasing grain output. Plans by the Soviet Union to raise soybean production may be achieved because of area gains. Furthermore, Soviet soybean sowing was well ahead of a year earlier. Soviet sunflowerseed production may also rise in 1983/84 because spring sowing conditions were better than last year; therefore, yields should improve.

Crop estimates in the Southern Hemisphere are more uncertain because planting occurs in the fall. Argentina is likely to have large gains in oilseed output next year. Brazil, however, will limit acreage increases because of reduced production subsidies, higher interest rates, and a possible shortage of certified seed.

Soybeans and products: World production, consumption, and net exports¹

Country	1980/81			1981/82			1982/83 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million tons</i>									
Soybeans									
Major exporters									
U.S.	54.44	28.03	25.29	61.97	29.94	24.49	50.17	30.07	22.59
Brazil	12.84	12.44	-.50	15.50	13.10	.63	15.00	13.50	.60
Argentina	4.00	1.50	2.00	3.50	2.08	1.10	4.40	2.20	2.00
Major importers									
EC-10	.02	11.71	-12.06	.02	10.23	-12.25	.05	9.99	-10.42
Japan	.18	3.59	-4.34	.22	3.85	-4.60	.22	3.80	-4.60
Spain	.01	3.20	-3.20	.01	2.85	-2.85	.01	2.77	-2.77
Eastern Europe	.53	1.05	-.60	.73	1.37	-.73	.68	1.32	-.73
China	9.33	4.04	-.50	9.03	3.54	-.10	9.50	3.84	-.10
Mexico	.68	1.50	-.74	.55	1.40	-1.00	.65	1.29	-.64
Taiwan	.01	1.00	-1.15	.01	1.15	-1.35	.01	1.12	-1.30
USSR	.45	1.56	-1.70	.48	1.55	-1.30	.53	1.60	-1.30
Residual	3.76	5.03	-2.50	3.14	5.43	-4.74	4.13	5.43	-3.33
World	86.25	74.65		95.16	76.49	-2.04	85.35	76.93	
Soybean meal									
Major exporters									
U.S.	22.36	16.09	6.27	23.84	17.33	6.44	23.90	17.64	6.26
Brazil	9.64	1.97	8.10	10.10	2.10	8.10	10.40	2.15	8.30
Argentina	1.14	.30	.81	1.60	.32	1.30	1.70	.33	1.38
Major importers									
EC-10	9.45	16.42	-6.97	8.19	15.20	-6.99	8.02	15.00	-6.94
Eastern Europe	.83	4.11	-3.30	1.09	4.08	-2.98	1.04	3.75	-2.70
USSR	1.30	3.00	-1.70	1.18	3.78	-2.60	1.22	4.22	-3.00
Thailand	.06	.26	-.20	.06	.27	-.21	.06	.30	-.24
Philippines	0	.38	-.37	.03	.31	-.32	.19	.31	-.20
Venezuela	.06	.56	-.50	.06	.56	-.50	.07	.54	-.48
Portugal	.41	.44	-.03	.48	.42	0	.34	.34	0
Japan	2.80	2.93	-.09	3.00	3.12	-.15	3.00	3.16	-.20
Mexico	1.21	1.32	-.04	1.11	1.32	-.18	1.07	1.22	-.10
Residual	10.09	12.15	-1.98	9.87	12.00	-1.91	9.91	12.26	2.08
World	59.35	59.93		60.61	60.81		60.92	61.22	
Soybean oil									
Major exporters									
U.S.	4.98	4.33	.94	5.37	4.47	.86	5.46	4.67	.86
Brazil	2.33	1.36	.91	2.45	1.55	.93	2.53	1.55	.98
Argentina	.25	.08	.15	.34	.08	.27	.36	.08	.28
EC-10	2.02	1.51	.44	1.79	1.35	.49	1.75	1.30	.46
Spain	.54	.10	.48	.49	.09	.41	.47	.09	.39
Major importers									
India	.07	.45	-.38	.07	.62	-.55	.07	.63	-.55
Pakistan	0	.31	-.31	0	.23	-.23	0	.25	-.25
Eastern Europe	.18	.38	-.18	.24	.49	-.27	.23	.43	-.20
Iran	.01	.36	-.35	.01	.41	-.40	.01	.44	-.43
Morocco	.01	.15	-.19	.01	.15	-.12	.01	.15	-.14
Residual	2.62	3.89	-1.51	2.67	4.07	-1.39	2.68	4.08	-1.40
World	13.01	12.92		13.44	13.51		13.57	13.67	

¹For soybeans, consumption refers to crush. ²Forecast.

Despite the decline in oilseed production, world vegetable oil production may increase 2 percent because of growth in high-oil-content oilseeds, such as sunflowerseed and rapeseed. But, palm oil output will decline in calendar 1983, primarily because of drought in Malaysia. However, a sizable gain can be expected for Malaysia's 1984 output. Philippine coconut oil output will also decline because of drought in 1983, exacerbated by typhoon damage later in the year in the north. Coconut oil output is expected to continue to decline in 1984, because coconut trees cannot recover from drought as quickly as palm trees can, and also because the typhoons uprooted and destroyed trees.

Demand Almost Unchanged in 1983/84

World demand for oilseeds and products will be affected by the outlook for economic recovery, livestock growth, and available supplies, as well as by higher prices. In recent weeks, global prices of major oilseeds have been boosted sharply by fears of a weather-related decline in the U.S. soybean crop.

World use of oilseed meals will likely be unchanged in 1983/84. Although world soybean meal use may remain near the 1982/83 level, gains in soybean meal use are likely in the Soviet Union and the United States. The consumption of soybeans and soybean meal could be

greater if high prices were not rationing use. In the United States, soybean meal consumption may rise nearly 2 percent, offsetting declines in cottonseed meal use.

The Soviet Union plans to continue to upgrade feed rations by incorporating more protein meal. Most of the Soviet requirements have been satisfied by South America and Western Europe. Under the terms of the new U.S.-USSR grain trade agreement, the Soviets can opt to lower the minimum grain import commitment by 1 million tons if they purchase 500,000 tons of U.S. soybeans or meal or some combination of the two commodities. During October 1982-June 1983, U.S. shipments of soybeans to the USSR totaled 198,600 tons, but as much as 1.2 million tons have been shipped in past years. The United States has not sold large quantities of soybean meal to the USSR in recent years, though, the mention of it in the new agreement may be a bright spot for U.S. exports.

Asia's protein meal needs will likely continue to expand during 1983/84. Korea is expected to require 10 percent more soybean meal, following gains of 43 percent in 1982/83 and 28 percent in 1981/82. Korea's pork and poultry sectors are expanding rapidly and its economic growth is strong. The Philippines recently opened a crushing facility which may need large imports of U.S. soybeans, partially offsetting soybean meal imports.

In the EC, soybean meal may face increased competition from other feedstuffs. Current high prices for soybean meal have raised the EC meal-to-corn price ratio above 1.1, which will encourage more grains in feed rations at the expense of soybean meal. Increased supplies of EC rapeseed meal may be used for feed, as well as surplus wheat and nonfat dry milk. Furthermore, U.S. soybean meal exports to the EC may compete with South American supplies. In addition, surplus vegetable oils in Europe depressed soybean oil prices, eroded crushing margins, and may have dampened EC soybean imports in 1982/83. EC economic growth should improve in 1984, and this could increase feed demand in the latter part of 1983/84.

U.S. Soybean, Meal Exports May Drop

The decline in U.S. production may result in lower U.S. bean exports, from 24.5 million tons in 1982/83 to 22.6 million in 1983/84. U.S. soybean meal exports may decline almost 3 percent. The major foreign soybean producers, Brazil and Argentina, are likely to expand production and meal exports. Argentina's tax policies, which tax product exports less than oilseeds, sharply

advanced soybean meal exports in the early months of 1982/83. Combined soybean meal exports for Brazil and Argentina for 1982/83 are estimated at 9.4 million tons, up 5 percent. The forecast for 1983/84 shows about a 3-percent gain, with soybean meal exports projected at 9.7 million tons.

U.S. soybean oil exports may face heavy competition from palm oil, as seasonal gains in Malaysian palm oil output are achieved despite yearly declines. Prices for palm oil have fallen below soybean oil in many key markets, especially India and Pakistan. Credit programs boosted U.S. exports of soybean oil in 1982/83; for example, blended credit allowed Yugoslavia to buy 147,500 tons. In 1983/84, however, U.S. soybean oil exports are forecast to remain near 1982/83's 862,000 tons because the base 1983/84 credit allocations are expected to be below 1982/83.

In recent weeks, world oil prices have risen sharply with a lower U.S. crop and reduced coconut oil supplies. July coconut oil prices in Rotterdam soared to \$846 a ton, compared with \$694 a ton in June. Following this gain, prices for palm kernel oil also rose sharply. In addition, soybean oil prices have been pressured upward by U.S. soybean prices. [*Jan Lipson (202) 447-8855*]

World Pulse Situation: The Early 1980's

World production of pulses has not changed appreciably over the past decade, although there have been some significant shifts in area harvested for pulse production. Approximately 2 percent of the world's arable land—33 million hectares—is used in the production of pulses, compared with 17 percent for wheat and 10 percent for rice (the figures for wheat and rice are probably lower because of multiple cropping). Global emphasis on food and feed grain production over the past decade is reflected in the annual growth rates in yields and area harvested for the major crops.

Seven percent of world pulse production enters the export market, with the remainder split between domestic marketings and subsistence production, leaving a small residual as stocks. Pulses are a protein alternative to eggs and meat in many developing countries, although most protein is still obtained from cereals and other staples.

Pulses cover a wide variety of dry edible beans, peas, and lentils, each possessing unique characteristics. Consequently, there are many pulse submarkets, with rela-

Global yields and harvested area of pulses and major crops

Crop	Area		Annual growth rate	Yield		Annual growth rate
	1969-71 average	1979-81 average		1969-71 average	1979-81 average	
	1,000 ha		Percent	Kg/ha		Percent
Dry beans	22,453	23,391	0.4	521	541	0.4
Dry peas	7,624	7,348	-.4	1,233	1,175	-.5
Lentils	1,623	1,881	1.5	613	571	-.7
Wheat	212,884	234,940	1.0	1,540	1,881	2.0
Barley	66,775	81,230	2.0	1,875	1,937	.3
Maize	114,507	129,399	1.2	2,473	3,253	2.8
Rice, paddy	133,097	142,885	.7	2,329	2,769	1.7
Sorghum	48,072	46,351	-.4	1,157	1,386	1.8
Soybeans	29,247	50,726	5.7	1,487	1,699	1.3

Source: FAO Production Yearbook, 1981.

World pulse production

Country	1969-71 average	1979-81 average
<i>Thousand tons</i>		
India	11,365	10,577
USSR	7,468	5,245
Brazil	2,453	2,223
U.S.	1,040	1,433
Mexico	1,124	1,348
Other	19,333	19,868
Total	42,783	40,694

tively small producers capable of dominating a particular submarket. Pulses are not traded in the same magnitude as cereals—3 million tons annually versus 220 million—and most production declines are made up with higher consumption of cereals, tubers, and other staples. Nevertheless, crop shortfalls can have a dramatic effect on export markets, as the Mexican shortfalls in 1979 and 1980 had on the U.S. pinto and black bean markets.

India, the Soviet Union, Brazil, Mexico, and the United States combined produce over half of all world pulses (China is also a major producer, but data are not available). The conditions under which pulses are produced and the needs they meet in each country are substantially different. U.S. pulses are grown on rich farmland in such States as Michigan, Idaho, and North Dakota, with the latest technology and incentives from a highly developed marketing system. However, most of the world's production is in developing countries where it is more costly to expand output. U.S. producers use more manufactured inputs a hectare than those in India, for example, and are more capable of expanding supply in response to price increases than are producers in India, who do not have the same inputs at their disposal and must rely heavily on favorable moisture conditions.

India Produces the Most

In India, pulses are grown on marginal lands under rainfed conditions. Production has stagnated over the last decade, largely because of Government emphasis on cereal production and the greater profitability of higher yielding competing crops, particularly wheat. Pulses are an important source of vegetarian protein in India and, in response to declining per capita availabilities and rising prices, the Government has adopted a liberal policy toward pulse imports and is now devoting more resources to boosting pulse production. India's annual pulse imports have ranged between 50,000 and 100,000 tons since 1980, with the United States gaining a portion of the dried green pea market.

Brazil Leads in Dry Edible Beans

Almost all of Brazil's pulse production is dry edible beans and annual consumption is close to 45 pounds per capita. Area harvested for pulses increased 39 percent to 6 million hectares from 1979 to 1982, and farm prices for dried beans have risen as rapidly as those for other crops since 1978 (85 percent). Nevertheless, structural problems exist. For one, farmers have devoted their best land to export crops such as soybeans, planting dry beans on marginal land. In fact, approximately half of all dry bean acreage is intercropped with corn. Another problem is that beans are harvested by farmers who have limited

access to production credit, advanced factors of production, or extension services. Low, unstable bean prices and the lack of harvest mechanization discourage expansion, keeping many of the bigger farms from planting dry beans.

With the current emphasis on import substitution, the Government of Brazil has initiated a number of programs that are expected to benefit dry bean production. Improved (and available) seed varieties, higher minimum prices, 100-percent production financing, and improved crop insurance are part of a package created to increase domestic production and at the same time keep pace with consumption. In addition, with the lifting of the subsidy on wheat consumption (also an import substitution measure), dry bean consumption could very well increase.

Mexico Imports U.S. Beans

In the past, dry bean producers in Mexico were accorded the same relatively low priority as those in India and Brazil. That changed in 1980, though, when President Lopez Portillo inaugurated an agricultural plan for self-sufficiency in the basic crops—corn and dry beans—called Sistema Alimentario Mexicano (SAM). While low prices over the years had encouraged consumption of dry beans, at the same time they also limited incentives for increasing production. Rudimentary production methods on small, subsistence farms also prevented output expansion.

SAM called for a 50-percent increase in the producer price of beans, the expropriation of 3 to 4 million acres of ranch grassland, and reductions in interest charges on production credit, seed and fertilizer prices, and crop insurance premiums. These measures did have some success, particularly in the State of Veracruz. However, the dramatic devaluation of the peso in 1982 and the falling price of oil, a major export, cut Government revenues and, subsequently, its ability to fund this program. Belt tightening on the part of the newly elected de la Madrid administration called for the elimination of Government subsidies on many consumer items, and the scrapping of SAM.

During 1980-82, Mexico bought 881,000 tons of U.S. dried beans, mostly pinto and black beans, compared with total purchases of 190,000 tons over the entire decade of the 1970's. Mexico's 11-percent share of all U.S. dried bean exports in the 1970's grew to 48 percent in the early 1980's. This massive buying reflected the poor 1979 crop as well as increased demand generated by mounting oil revenues.

Unlike the other major producers, Mexico could continue large purchases of U.S. dried beans. The middle class in Mexico was on the verge of a significant boost in income during the late 1970's, and this would have afforded a change in diet over a period of years. This shift has been delayed—for many, indefinitely—because of the country's serious financial problems. Population pressure continues to mount as a 2.7-percent annual growth rate adds roughly 2 million new mouths to feed each year—primarily to low- and middle-income families that are more dependent on beans and tortillas. Therefore, without expensive changes in production incentives and substantial per capita income growth (inducing changes in dietary habits), it is likely that even in a good year Mexico will have to import dried beans, probably from the United States.

Among the major pulse producers, only the United States is also a significant exporter. The other major exporters include Turkey, Thailand, Canada, France, and

Major importers of pulses¹

Country	1976	1977	1978	1979	1980	1981
1,000 tons						
Mexico	1	30	24	15	450	497
Japan	209	208	177	170	195	229
Netherlands	165	189	241	271	286	210
Egypt	131	69	67	69	88	174
United Kingdom	158	156	141	173	145	140
Cuba	106	116	106	87	104	110
France	119	125	100	99	102	105
West Germany	87	80	77	102	119	103
Italy	99	124	114	134	127	102
Belg-Lux	61	67	79	130	118	97
Spain	82	57	93	69	46	87
Algeria	39	43	47	111	74	80
Venezuela	55	85	61	74	81	78
India	11	21	79	74	54	77
Brazil	77	97	25	30	61	19
Other	493	582	578	656	761	868
World	1,893	2,049	2,009	2,264	2,811	2,976

¹Total world imports differ from total world exports in any given year because of the timing of the shipments.

Source: FAO Trade Yearbooks, selected issues.

Major exporters of pulses

Country	1976	1977	1978	1979	1980	1981
1,000 tons						
United States	309	269	330	366	750	979
Turkey	77	91	118	155	219	448
Thailand	113	129	190	213	209	207
Canada	85	104	62	104	162	161
France	53	77	78	144	169	156
Argentina	192	156	231	193	175	149
United Kingdom	45	69	139	147	126	120
Chile	26	58	51	73	67	70
Netherlands	63	78	70	70	70	67
Mexico	73	179	128	106	86	66
Hungary	49	52	48	54	53	55
USSR	37	43	52	54	32	44
Syria	24	51	109	124	57	18
Morocco	173	133	62	37	40	11
Other	589	515	415	526	555	552
World	1,908	2,004	2,083	2,366	2,770	3,103

Source: FAO Trade Yearbooks.

U.S. exports of pulses

Calendar year	Total pulses	Dried beans	Dried peas	Dried lentils
1,000 tons				
1968	228	105	100	23
1969	280	137	118	25
1970	337	174	133	30
1971	276	146	101	29
1972	262	125	103	34
1973	321	187	108	26
1974	264	167	73	24
1975	287	176	74	37
1976	290	151	92	47
1977	252	178	54	20
1978	319	229	61	29
1979	341	230	73	38
1980	717	568	103	46
1981	967	774	120	73
1982	666	476	119	71

Source: U.S. Department of Commerce, Bureau of the Census.

Argentina. These six exporters supplied two-thirds of the world market in 1981. In contrast, the six major importers of pulses that year—Mexico, Japan, the Netherlands, Egypt, the United Kingdom, and Cuba—comprised less than 45 percent of the market.

Production Declines To Continue

Since the mid-1960's, pulse production has declined. In developed countries where per capita consumption is low (and often declining), production is often in excess of domestic use. By contrast, in many developing countries, where pulses play a more prominent role in the diet, production falls short of consumption needs. International pulse trade is expanding both absolutely and as a share of production. In 1969-71, 4 percent of world pulse output was exported. By 1979-81, this share had grown to 7 percent.

There are, however, some contrasts to the situation in grains and oilseeds. Export market variability during 1975-82 caused dried bean and lentil prices to fluctuate nearly twice as much as wheat, corn, and soybean prices. This instability not only limits growth in the export market (because of uncertainty), but also affects producers. In addition, the magnitude of grain and oilseed output allows for stock adjustments to moderate price movement, whereas pulses do not have such a cushion.

World trade in pulses is difficult to forecast because of the entry and exit of major exporters. The mix of countries changed considerably during the 1970's as relatively small shifts in foreign demand or domestic supply transformed some countries into major suppliers. The United States, Turkey, and Thailand supplied nearly half of all world exports of pulses in 1980 and 1981, compared with 28 percent during 1976-79. Since 1976, other major suppliers such as Morocco and Argentina have lost significant shares in the world pulse market, while the United States, Turkey, Thailand, Canada, and France have been able to expand old markets and develop new ones.

Turkey expanded output 10 to 15 percent over the past few years to meet growing demand for pulses in the Middle East and North Africa as well as to supply traditional markets in Europe. Although it is not allowed to export grains, the private sector in Turkey is allowed to export pulses. This capability, along with higher world prices and the devaluation of the Turkish lira in 1980, pushed pulse exports from 155,000 tons in 1979 to 447,000 in 1981.

Canada has become one of the world's largest exporters of pulses, largely from dry pea shipments to Cuba. Canada's position as a major exporter appears to be vulnerable, however, because Cuba makes up 60 percent of the dry pea market and in fact prefers black beans to peas.

The outlook for pulses in the 1980's calls for continued declines in per capita production as global emphasis continues to shift toward cereal and meat consumption. Trade is expected to become more erratic, with very large purchases occurring more frequently. [Steve Milmo (202) 447-8054]

North Africa and Middle East Poultry Markets

World trade in poultry meat has grown tremendously over the past decade, led primarily by increased imports by the North African and Middle Eastern countries.

**North Africa and Middle East
poultry meat imports**

Country	1973	1976	1980	1981	1982
<i>Thousand tons</i>					
Saudi Arabia	13	70	194	181	210
Iraq	(1)	30	80	120	130
Iran	3	26	25	80	105
Kuwait	8	34	43	88	95
United Arab Emirates	5	20	34	38	45
Egypt	2	3	76	125	52
Yemen Arab Republic	(1)	1	73	80	95
Total above	31	184	525	712	732

¹Less than 500 tons.

There have been impressive gains in many other countries; poultry meat imports in both Japan and Hong Kong grew 80,000 tons during 1973-1982, and Soviet purchases rose almost 200,000 tons during the same period. However, these gains are dwarfed by the 750,000-ton increase in the North Africa and Middle East region.

Oil-Rich Countries Lead Gains

Reliable trade data for many of the countries in North Africa and the Middle East are almost impossible to obtain. Thus, this article will concentrate on the seven largest poultry importers—Saudi Arabia, Iraq, Iran, Kuwait, United Arab Emirates (UAE), Egypt, and the Yemen Arab Republic. Poultry meat imports of these countries rose from only 31,000 tons in 1973 to over 700,000 tons in 1982. Oil-rich Saudi Arabia, Kuwait, UAE, and Iraq have steadily increased their imports over the decade, with the Saudis showing the largest total gain—around 200,000 tons. Iran, on the other hand, drastically increased its imports after much of its domestic poultry industry was destroyed in the revolution. Egypt and the Yemen Arab Republic have also only recently shown large increases.

Gain in 1982 Small

The seven importers tripled their poultry meat purchases between 1976 and 1980, and showed another 200,000-ton advance in 1981. However, little gain was registered in 1982, as Egypt's imports slipped 50,000 tons below 1981. After importing substantial quantities of U.S. poultry in 1980 and 1981 with food aid funds provided by the United States, Egypt in 1982 temporarily closed its ports to foreign poultry meat, partially to help spur domestic production via higher prices. The other six countries increased 1982 imports much less than trend, partially because of declining oil revenues.

Brazil and France Are Largest Suppliers

The principal poultry meat exporters to the region are Brazil, France, Denmark, West Germany, South Africa, the Netherlands, Hungary, Bulgaria, People's Republic of China (PRC), and the United States. Some of the smaller suppliers have special trade agreements which enable them to sell in this market. The PRC has maintained a special market in the Gulf sheikdoms.

The region's two largest suppliers, Brazil and France, have become major poultry exporters only in recent years. During 1974-78, total poultry meat exports by France averaged only around 87,000 tons per year (including intra-EC trade), while Brazil averaged less

than 25,000 tons annually. By 1982, both countries exceeded 300,000 tons.

Brazilian exporters have made a special effort to develop the Middle East market. Not only is it the world's largest market for poultry, it also sells Brazil over \$7 billion of petroleum annually. France has also marketed its poultry aggressively in the region. French exporters have developed a bird to meet Middle Eastern size and color preferences, and have made a concentrated effort to meet religious, labeling, and packaging requirements.

While these factors have helped Brazil and France become leaders in the market, another very important factor is price. Both countries have recently offered bargain prices to capture or keep Mideastern customers. EC export restitution payments have made the French highly competitive. Further, France has a transportation advantage over most other large exporters. The Brazilian exporters, on the other hand, get a break in their feed costs and subsidized credit through the Government's Credit Resolution 674. With high inflation rates in Brazil, the lower interest charges and favorable repayment schedule mean the exporters can offer very favorable prices for poultry meat.

Local Output Lags

Despite efforts to boost local output, most countries in the Middle East must still rely on imports for a large share of their poultry meat. Iraq and Saudi Arabia import over 70 percent of their needs, while Egypt must buy about 40 percent from foreign suppliers. A number of factors are responsible for the continued reliance on imports. Projections of local output have proven far too optimistic because planners have seldom made adequate feed arrangements. Prices for beef and mutton increased, while prices for imported poultry declined. More grocery stores have installed refrigerated cases to handle frozen poultry, and numerous fast-food outlets selling cooked chicken have opened. Sales both in stores and in fast-food outlets have been spurred by improved incomes over a wide segment of the region's population.

1983 Gains Uncertain

The Iran-Iraq war has disrupted the development of the broiler industries in both countries and increased the demand for imports. In late 1982, a major Brazilian sale to Iraq was reported, but recent reports indicate there are some payment problems. What effect this will have on the remaining shipments is unknown. Brazil has supplied most of Iraq's poultry imports during the last 2 years—over 50 percent in 1981 and almost 90 percent in 1982.

French sales of whole chickens were a little over 200,000 tons in 1982, with three-fourths going to Saudi Arabia and the Yemen Arab Republic. Through the first 6 months of 1983, French exports to the entire Middle East were only 6,000 tons above the same period last year. However, this may be a misleading indicator of total poultry imports by Saudi Arabia since French exports normally account for less than 50 percent of the total.

After a 50,000-ton decline in 1982, Egypt may be the one to rebound strongly in 1983. If so, Brazil will be the main beneficiary. Brazil exported around 35,000 tons to Egypt in 1982 (primarily after the import ban was lifted), and has made special efforts in this market in 1983. In recent months, Egypt has tendered bids for nearly 50,000 tons of poultry meat and Brazil has been the low

bidder on most, if not all. In addition, some reports indicate Brazil made a large sale of poultry meat to Egypt in early 1983. [John Parker (202) 447-9160, Gerald Rector and Linda Bailey (202) 447-8054]

Sugar

World sugar production and consumption for 1982/83 will be higher than previously estimated. A record build-up of stocks implies low prices through the end of 1983. However, next season's prospects for lower production and increased sugar use suggest some price rise in 1984.

Output Likely Lower in 1983/84

World sugar output in 1982/83 has been revised to 99.7 million tons, up 1.1 million tons from the previous estimate, mainly because of larger prospects for the USSR and Mexico. In 1983/84, production could drop to about 95 million tons, down 4.8 percent from the current season and nearly 6 million tons below the record 100.7 million of 1981/82. Both beet and cane sugar production are expected to decline.

World beet sugar output will fall mostly because of an estimated 21-percent decline in EC output, to about 11.7 million tons. Very wet weather delayed seedings in the EC and will keep sugar yields in most EC countries below the generally high levels of the past 2 years. Outside the EC, sugar beet acreage in Western Europe has not declined significantly. In Eastern Europe and in the Soviet Union, production prospects are basically unchanged from 1982/83. Beet sugar production outside Europe may rise 1 to 2 percent despite some decline in the United States, where bad weather and contractual problems have delayed plantings. China's output should continue to grow.

The forecast decline in world cane sugar output in 1983/84 will occur mainly in Asia. Asian production, about a third of the 1982/83 world total, could fall about 5 percent. In India, reduced returns to growers are encouraging the planting of alternative crops. Weather problems in the Philippines could reduce their sugar output. Poor weather and input cutbacks could slash Thailand's output 50 percent. Indonesia's output will also be down. China continues to promote cane sugar production and output will be up. Another good crop is anticipated in Mexico, following the record production of 1982/83. A decline is likely in South America. Brazil's output could be up somewhat from the record 9.3 million tons of 1982/83. In Africa, only a marginal rise is likely, because of a 26-percent drop in South Africa's drought-hit sugar production. Drought could also shrink Australia's output by 15 percent.

Consumption To Rise Further in 1983/84

World sugar consumption may reach a record 93 million tons in 1982/83, up 600,000 tons from the previous estimate. Consumption should advance further next season, to about 95 or 96 million tons, based on the outlook for an improved global economy and given the record carryover of sugar stocks from the current season. Stocks at the end of 1982/83 are estimated at almost 43 million tons, 46 percent of estimated consumption and far above usual stock-to-consumption ratios of 25 to 30 percent.

Prices To Stay Low Through 1983

The world price of raw sugar (f.o.b. Caribbean) eased slightly to 10.5 cents a pound in July, from 10.8 in June. July prices were higher than a year earlier, when raw sugar averaged 7.8 cents a pound, but still were too low to maintain production in most countries without support programs. Prices are expected to stay at 10 to 12 cents a pound through the rest of 1983. [Robert Barry (202) 447-7290]

Cotton

Foreign Production Offsets U.S. Declines

Almost without exception, the major cotton producers outside the United States are forecast to maintain or increase production in 1983/84. The foreign crop could be about 5 percent larger than in 1982/83, offsetting most of the 35-percent decline in the United States and leaving world cotton production down only 2 percent.

The estimate of Chinese cotton production in 1983/84 has been increased to 17 million bales, as generally favorable weather has combined with greater-than-anticipated planted acreage. If the forecast is realized, the Chinese crop will be more than twice as large as the United States' output. Also, the USSR is expected to increase production 0.6 million bales to 12.5 million. Production problems there persist, but the poor harvest weather of 1982/83 is unlikely to be repeated. Mexican production should rebound about 25 percent from the 1982/83 low. India, Pakistan, and Brazil may have improved yields, while expanded area should boost production in Turkey and the Sudan. Expanded and improved irrigation supplies could allow Australian production to increase more than 35 percent.

Cotton Use Up 3 Percent in 1983/84

Improved demand for textiles is likely to accompany the general economic recovery in several major industrialized countries. Increased demand in 1983/84 should result in greater cotton consumption in the United States (up 7 percent), Western Europe (up 4 percent), and Canada (up 10 percent), partly because of their continuing effective implementation of protectionist trade policies for textiles. The resolution of strikes and strong domestic demand for textiles could increase Indian cotton consumption more than 3 percent. China's consumption, forecast up 4 percent, will continue to account for about one-quarter of world cotton use. China's determination to increase textile exports was evidenced by its tough negotiating position; the new China-U.S. textile agreement allows greater increases for imports of Chinese textiles than for those of other major suppliers.

U.S. Exports Expand

The USSR and Mexico, two major competitors, will continue to face limited supplies in 1983/84 because of reduced beginning stocks. Furthermore, Southern Hemisphere crops, harvested late in 1982/83 but largely marketed in the beginning of 1983/84, were damaged by bad weather. These factors, combined with the tendency of the PIK program to move stocks into the world market, should allow the United States a large share of the mar-

Cotton: World production, consumption, and net exports¹

Country	1980/81			1981/82			1982/83 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million 480-lb. bales</i>									
Major exporters									
United States	15.6	5.3	6.5	12.0	5.5	5.2	7.8	5.9	5.3
USSR	13.3	9.4	4.1	11.9	9.4	2.7	12.5	9.5	3.0
Pakistan	3.5	2.2	1.1	3.8	2.4	1.0	3.9	2.5	1.2
Egypt	2.3	1.4	.9	2.1	1.4	.9	2.1	1.4	.8
Turkey	2.2	1.4	1.0	2.2	1.5	.8	2.3	1.5	.8
Central America	.9	.1	.8	.8	.1	.7	.9	.1	.8
Sudan	.7	.1	.4	.9	.1	.6	1.0	.1	.8
Brazil	3.0	2.6	.1	3.1	2.6	.7	3.2	2.7	.7
Mexico	1.4	.6	.8	.8	.6	.4	1.0	.7	.3
India	6.4	6.0	.2	6.3	6.3	.6	6.5	6.5	.4
Major importers									
Western Europe	.8	5.1	-4.4	.7	5.1	-4.4	.8	5.2	-4.4
Japan	—	3.4	-3.5	—	3.2	-3.1	.1	3.4	-3.3
Eastern Europe	.1	3.4	-3.3	.1	3.3	-3.2	—	3.3	-3.3
South Korea	—	1.6	-1.5	—	1.6	-1.5	—	1.6	-1.6
Taiwan	—	1.1	-1.2	—	1.0	-1.0	—	1.1	-1.1
China	13.6	15.7	-2.0	16.5	16.5	-4	17.0	17.2	-1
Hong Kong	—	.7	—	—	.7	—	—	.7	—
Residual	6.9	5.8	+6	6.8	6.0	+6	7.2	6.0	+4
World	70.7	65.9		67.6	67.3		66.3	69.4	

— = negligible. ¹Year beginning August 1. ²Preliminary. ³Projected.

ket during the first part of 1983/84. However, increases in U.S. exports may be limited later in 1984, because the prospect of reduced U.S. ending stocks (less than 5 million bales) may cause U.S. prices to increase relative to those of competing exporters. On balance, U.S. exports in 1983/84 could be only marginally higher than in 1982/83, and they may remain more than 40 percent below 1979/80. [Edward W. Allen (202) 382-9820]

Tobacco

World production of tobacco is forecast at 13.4 billion pounds in 1983, 10 percent below last year's record. Lower production in the United States, China, India, Brazil, Korea, Italy, Cuba, Bulgaria, and Poland will more than offset expected increases in Canada, Zimbabwe, Malawi, Pakistan, and South Africa. The largest reduction is expected in China, where Government acreage restrictions and forecasts of reduced grower prices may lower 1983 production 28 percent.

World output of all leaf types except Oriental is forecast to be smaller. Flue-cured production is expected to be down 15 percent and burley down 5 percent. Production of other light and dark air-cured tobaccos will also be down.

World cigarette production in 1982 (excluding China) dropped 0.6 percent below 1981. Including China, cigarette production rose 0.3 percent to 4,578 billion pieces. Output in 1982 grew so little compared to the past mainly because of the depressed world economy and higher cigarette prices due to higher taxes. Of the major cigarette-producing countries, the biggest declines in production were in the United States and West Germany. U.S. production dropped 6 percent, and West German output declined 11 percent. Chinese cigarette output rose 4 percent.

World cigarette exports remained the same in 1982 as in 1981. A drop of 11 percent in shipments from the

United States, the world's leading exporter, was offset by increased exports from the United Kingdom, Bulgaria, and West Germany. The Soviet Union, France, Italy, and the Netherlands were the major importers.

During the first 6 months of 1983, U.S. exports of unmanufactured tobacco were down 17 percent to 225 million pounds, compared with the same period a year earlier. The value of exports dropped 15 percent. Most of the decline was due to sharply reduced shipments to Thailand, Indonesia, and Egypt. Flue-cured exports for the period were down 20 percent, and burley exports were off 23 percent. [Verner N. Grise (202) 447-8776]

REGIONAL DEVELOPMENTS

United States

Crops Reduced

The area planted to crops under acreage reduction programs is substantially less than last year. For example, corn acreage has been reduced 27 percent, and acres planted to wheat were 12 percent less than last year. While not directly covered by Government programs, soybean plantings also dropped 12 percent. Crop yields will likely show considerable variation. Wheat yields are expected to be above last year's because of a mild winter and favorable spring weather. However, hot, dry weather during July and August reduced yields of corn and soybeans from last year.

For most crops, production will be less than total expected use, so carryover stocks will be reduced. As stocks decline relative to use, the prospect for higher prices increases.

Corn prices rose during the summer, as hot, dry weather continued and farmers held stocks. Release of corn reserves from both the 1981 and 1982 crops was trig-

gered, as prices reached \$3.15 and \$3.25 a bushel. The release of both made over a billion bushels eligible to be marketed. However, prices have risen further as production prospects for corn have deteriorated.

Grain exports during 1982/83 are expected to be down from the liberal rate of 1981/82. A strong dollar, poor business conditions in importing countries, and aggressive competition from other major exporters have limited U.S. exports. Prospects for 1983/84 point to a sluggish demand for U.S. grains abroad.

Meat Output Larger

Meat production for the remainder of 1983 is likely to be above a year earlier because of production decisions made in the past. Hog production on farms expanded this winter and spring, and pork production during the second half of 1983 should increase about 13 percent from last year. Even though beef and poultry production may only increase a small amount, total meat supplies will be large. This will push livestock prices lower, despite improving general economic conditions. Farmers' adjustments to higher feed prices may not reduce meat production greatly until 1984. Also, cattle inventories on July 1 were the same as a year earlier, indicating little change in potential beef output in the future.

Farm Income Rising

Net farm income for 1983 is forecast between \$25 and \$29 billion, compared with the \$22.1 billion estimated for 1982. Farm production expenses will be less than a year earlier because the volume of inputs has been reduced and input prices are rising only slowly. An increase in Government payments is helping to maintain gross income, because crop receipts are below last year. Additional factors improving the farm income outlook are higher prices for major feed grains and oilseeds, reductions in burdensome stocks of most major crops, and improvements in the general economy, which should help the demand for farm products.

Food prices are forecast to rise only 2 to 4 percent in 1983. This increase is expected to be the smallest in many years because of abundant supplies and small increases in marketing costs. [Allen O. Johnson (202) 447-8378]

Canada

Economic Outlook Improved

After a sharp decline in economic activity last year, the Canadian economy is expected to grow 2 to 3 percent in 1983 and over 4 percent next year. Inflation has come down sharply; the Consumer Price Index increased 10.8 percent in 1982, but as of June it was only 5.6 percent higher than last year. Food prices were 1.9 percent above a year ago. Despite generally lower prices, farm income is expected to improve in 1983, as farmers have benefited from lower interest rates.

Exports for 1982/83 Set Record

Exports of Canada's seven major grains and oilseeds in 1982/83 (July-June) increased 7 percent from the preceding year's record 26.4 million tons. However, all the increase occurred in wheat, as coarse grains and oilseeds

declined. Wheat exports increased more than 21 percent; China and the USSR accounted for 95 percent of the gain. Coarse grain exports dropped 20 percent; shipments to the USSR declined 61 percent, although Spain and East Germany recorded substantial increases. Exports of rapeseed were down 9 percent because of reduced supplies.

Canada should have ample supplies of grains and oilseeds available for export in 1983/84, as a good harvest is in prospect. Wheat production may be a record because of increased area and good weather. Exports of wheat, coarse grains, and rapeseed are forecast to increase, although any increase could strain the transportation system, which was already facing capacity constraints this summer. The capacity problem could worsen if improvements in the Canadian economy contribute to increased shipments of other bulk commodities.

Beef Exports Up Sharply

For the first half of 1983, Canadian beef and veal exports were up 21 percent from 1982, although the pace is expected to slow in the second half. Most of the increase went to the United States. The larger Canadian exports were a result of dairy herd culling in eastern Canada and increased imports from New Zealand. [Carol Goodloe (202) 447-8378]

Western Europe

Grain Production To Decline

Contrary to earlier expectations, Western Europe's 1983 grain production is likely to decline almost 3 percent. A 4-percent drop in the EC's wheat and coarse grain output will offset a rise in coarse grain production in non-EC countries (principally Spain). The decline in wheat is heavily concentrated in Greece, where up to half of the durum crop has been lost because of drought in the growing season and severe thunderstorms during harvesting. The decline in coarse grain production is more evenly spread through the Community.

Despite the anticipated decline in production, Western Europe's grain imports are expected to continue downward in 1983/84, particularly in coarse grains. Lower coarse grain imports would be practically assured if the EC initiates an incorporation scheme to subsidize and consequently increase the feeding of low-quality EC wheat. Although prices for coarse grains relative to soybean meal will likely be lower than they were in 1982/83, the feed wheat subsidy would likely offset attractive coarse grain prices and result in lower imports. However, a decision on the proposal has been postponed until September. In Greece, the lower durum wheat crop will be compensated for by withholding exports, namely delaying fulfillment of Greece's 3-year agreement to supply durum semolina to Algeria.

Heightening EC Budget Difficulties

The EC is currently in a precarious financial situation. EC expenditures on agriculture during the first 7 months of 1983 increased 40 percent from a year earlier—much more than the Community's financial resources grew. The current rate of EC agricultural expenditures will cause it to reach the limit of its budget resources in 1983. Thus, the EC is forced to restrain expenditures for

the remainder of 1983. Constraint will likely be in reductions of export subsidies and other market support activities. In the longer term, the EC will have to arrange for additional financing, modify its Common Agricultural Policy (CAP) to slow the growth of expenditures, or more probably both.

EC Recharts Course at Brussels Meetings

In July, the EC Commission, partly in response to the evolving budget difficulties, drafted proposals for the future development of the CAP. The most notable of these envisions producers' financing the entire cost of disposing of surplus production. Such a measure would decidedly cut farm income and depart radically from the EC's current policy of providing price support for virtually unlimited production of some commodities.

Increased producer financing of surpluses would be felt more in northern grain- and dairy-producing countries, which would be precisely as intended. The EC anticipates expansion toward the Mediterranean and is trying to cope financially with support of "southern products". The support of southern products is relatively less troublesome to the EC budget, but it is a burden nonetheless. Farm products are more crucial to the southern countries, because agriculture has a greater role in GDP, employment, and general economic stability.

To minimize the cost of supporting northern and additional southern products, the commission is proposing to strengthen demand within the EC for its own farm products. This policy is already presaged by removal of the equivalency provision of the inward-processing scheme for wheat (which favored imports), as well as the recommencement of a subsidy for using nonfat dry milk for livestock feed and the proposal for a feed wheat subsidy. Thus, the policy threatens to contract the EC's demand for imports, especially of grains and oilseeds. Both a curb on imports of feed grain substitutes and a tax on vegetable oil consumption were suggested in July, and these would further reduce the demand for imports.

U.S. Exports to Western Europe Decline

The value of 1983 U.S. agricultural exports to Western Europe in fiscal 1983 is forecast at \$9.8 billion, about 19 percent less than in 1982. The rate of shipments of most commodities has declined significantly in recent months—the result of the strengthening dollar. Western Europe's large grain supplies have caused a further decline in U.S. grain exports to the region. [*Miles J. Lambert (202) 447-8289*]

Australia

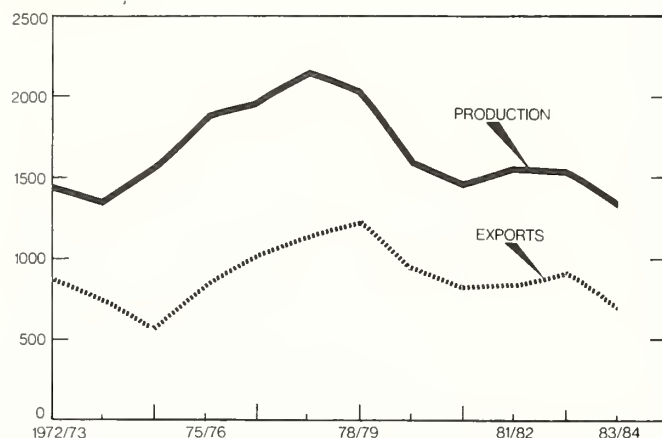
Rains over most farming areas have broken Australia's drought. Therefore, the farm sector is anticipating a healthy recovery in output and income for 1983/84. Preliminary forecasts place the net value of rural production in real terms at more than double the 1982/83 figure, but below the previous 2 years.

Crop Output May Approach Record Volume

The index of crop production is forecast up 48 percent. To improve cash flow and provide feed for livestock, farmers planted a record area to grains this autumn. Planting conditions were satisfactory for wheat in most areas, but parts of Queensland and northern New South

AUSTRALIAN BEEF AND VEAL^{1/}

THOUSAND TONS



^{1/}Carcass weight 1982/83 Estimated 1983/84 Forecast

Wales were flooded. Furthermore, Western Australia was generally dry past optimal planting dates. Coarse grain and oilseed plantings also rose sharply.

With normal weather through the remainder of the growing season, Australia will have abundant grain supplies for export. Wheat exports are forecast at 12.5 million tons for 1983/84, up from the 8.9 million estimated for this year. Barley exports are expected to rebound to 1.6 million tons.

Cattle Numbers May Decline Further

The Australian cattle herd numbered 22.8 million head on March 31, 1983, 7 percent below a year earlier, but above earlier estimates. Beef cow numbers dropped sharply, and conception rates were probably low during the past year. In addition, farmers may sell off stock to meet cash needs. Thus, cattle numbers are expected to drop by almost a million by March 1984.

Beef and veal production will likely decline about 13 percent in 1983/84, to the lowest level in a decade. Domestic consumption is declining because of higher retail prices, and export volume is expected to fall almost a fourth to around 690,000 tons in 1983/84.

Sheep Herd Likely To Be Rebuilt

Sheep and lamb slaughter is down sharply this year because of a smaller herd, reduced lambings, expanded live sheep exports, and restocking. Therefore, lamb and mutton production may decline 7 percent in 1983/84. Mutton exports are forecast down 13 percent, and lamb exports 9 percent. [*Sally Byrne (202) 447-8376*]

Japan

Cold Weather Threatens Hokkaido Crops

Below-normal temperatures during June and the first half of July in Hokkaido, Japan's northernmost island, may have damaged the rice and adzuki bean crops. The wheat crop apparently will not be greatly affected. Unfavorable weather has lowered rice yields for the past 3 years. Reduced yields in 1983, added to an area reduc-

tion due to the riceland diversion program, could lead to production substantially below the Government's target of 9.9 million tons. If the adzuki crop is affected by the cold weather, Japan's pulse (peas and beans) quota is likely to be increased for October 1983-March 1984. The April-September 1983 import volume is not expected to increase, however, because stocks are adequate.

The unusually low temperatures may also result in smaller crops of onions and sweet corn. Since the Hokkaido onion crop is the major factor in determining Japan's onion imports, import requirements could increase during the fall and winter. The United States profited two seasons ago (October 1981-March 1982) by a shortfall in Hokkaido onion output, exporting close to 79,000 tons. However, U.S. onion exports were negligible last year. A lower Hokkaido sweet corn harvest should allow U.S. frozen and canned sweet corn exports to exceed fiscal 1982's \$42 million.

Wheat and Barley Prices Stable

Japan's Rice Price Deliberation Council has recommended that producer prices for wheat and barley be unchanged during 1983. Even without increases, wheat and barley prices are four to five times world levels. Under its riceland diversion program, the Government also pays farmers incentives to plant wheat, barley, and other priority crops on riceland.

Under strong pressure from farm lobbyists, the Government increased the 1983 producer price for rice 1.75 percent in July 1983, slightly above the 1982 increase, but substantially below the 6 percent demanded by farmers. A 2- or 3-percent rise in the resale price of rice is likely when review occurs in November or December.

Livestock Production Edges Upward

Livestock production showed small to healthy gains during October 1982-April 1983, compared with the same period a year earlier. Production of beef and veal, and eggs was up marginally; broilers and milk increased 6 to 7 percent, while pork production was steady. Imports of beef and veal, and chicken were up significantly, but pork imports were still on a downward trend. Dairy product imports increased modestly, while egg imports dropped 35 percent. Total formula feed production showed a small gain, with output of feed for broilers showing the greatest expansion. Gains in livestock production should continue as demand for livestock products picks up. Egg production is expected to slacken in response to Government guidance to bring down egg production slightly.

U.S. Feed Grain Exports To Increase

Prospects for feed grain sales to Japan will improve in fiscal 1984. Although total imports of coarse grains may show little or no growth, the United States will gain in market share. The United States' major competitor, South Africa, will have no corn to export next year. In addition, only negligible corn imports are expected from Thailand. Other countries, including Australia and Burma, may provide small amounts, but the United States will supply almost all of Japan's corn import requirements—about 14 million tons. At the same time, U.S. shipments of sorghum will increase only slightly. Japan most likely will continue to import large quantities from Argentina, whose prices are competitive. The

United States could export between 300,000 and 400,000 tons of barley, depending on prices. Japan has a supply agreement with Canada for at least 1 million tons, but because of the drought Australia will have less barley to export—only around 75,000 tons. [Lois A. Caplan (202) 447-8860]

USSR

Higher U.S. Exports to USSR

On July 28, 1983, Secretary of Agriculture John Block and U.S. Trade Representative William Brock announced that the United States and the Soviet Union had reached an agreement in principle on a new Long-Term Grain Agreement (LTA). The proposed LTA will last 5 years (as does the current agreement, which was twice extended for an additional year in 1981 and 1982), and will require annual Soviet purchases of 8 million tons of grain (to be split into approximately equal shares of wheat and corn). In addition, the Soviets have agreed to buy either (1) another 1 million tons of wheat and/or corn or (2) 500,000 tons of soybeans and/or soybean meal. The Soviets may purchase an additional 3 million tons of either wheat or corn without government-to-government consultations.

The existing LTA requires minimum purchases of 6 million tons annually. U.S. grain sales over the 7 years of the existing LTA have annually averaged 10.5 million tons, and certainly would have been higher without the U.S.-imposed sales suspension. About two-thirds of the this total was corn. However, U.S. grain sales to the Soviets are projected to reach only 6.2 million tons during the current fiscal year. Thus, the new agreement will ensure that Soviet purchases of U.S. grain will increase substantially next fiscal year. In addition to the United States, the Soviets have grain agreements extending until 1986 with Canada, Argentina, Brazil, and Hungary, which require the USSR to buy 10 million tons annually in addition to the U.S. grain.

Soviet purchases of U.S. soybeans averaged about 650,000 tons from 1977 to 1983, despite the sales suspension. However, sales in the current fiscal year, now about 200,000 tons, will likely be the second lowest in the 7 years. Since 1977, the United States sold a total of 27,000 tons of soybean meal to the Soviets. Inclusion of oilseeds and oilseed meal in the agreement should improve U.S. prospects for Soviet sales. Already the Soviets have contracted for 175,000 tons of U.S. beans for delivery in fiscal 1984. However, Soviet agreements with other countries may limit U.S. opportunities.

Output Gains Lessen Import Demand

The expanded U.S. grain sales to the USSR in fiscal 1984 should ensure the United States a larger share of the Soviet agricultural import market. Possible declines in total Soviet agricultural import needs would magnify the impact of a larger market share. Agricultural import demand may be lower because of this year's possible record agricultural output that follows last year's overall improvement from 1981 output.

The decrease in agricultural import needs should be especially welcome to the Soviets. Their hard currency earnings will probably be squeezed by lower oil prices, despite efforts to expand energy exports to the West.

The preliminary 1983 area sown to all annual crops was 212.9 million hectares. Grain area, at 122.5 million

Eastern Europe

hectares, was down 1.4 million from last year, but other crops were sown on 0.2 million hectares more. Weather, the primary determinant of the USSR's year-to-year yield variations, has been more favorable this year than the last four. Yields were also up because of increased availability of machinery and fertilizers, higher procurement prices, greater use of "collective contracts" that tie workers' pay more directly to output, and an overall tightening of worker discipline.

Better grain supplies, combined with improved forage production, may cause total grain imports to decline almost 10 percent, despite the need to provision record livestock herds. Grain crops, at 200 million tons, may be more than 10 percent above 1982, and the aggregate grain yield is expected to improve more than 10 percent. Forage production is ahead of last year, both in quantity and quality. At midyear, hog inventories in the socialized sector continued to run about 5 percent higher than last July 1. Poultry and cattle numbers were each up 2 percent.

The Soviet midyear report shows that overall food output improved substantially from January-June 1982. Improvements in 1982 grain and forage crops, plus 33 million tons of imported grain, increased profitability of livestock raising, and a mild winter underpinned the output of livestock products. Meat production increased 9 percent, butter output 19 percent, and whole milk products 7 percent. With the increases in meat output already obtained, higher livestock inventories, an improved feed situation, and higher profitability, total meat output this year will likely be a record, approaching 16 million tons. If meat output does hit a record, per capita consumption could increase almost 2 kilograms to 59 kilograms, even with anticipated lower meat imports.

The output of canned goods during first-half 1983 was up 11 percent, including canned fruits and vegetables, which were up 17 percent. Vegetable oil production rose 8 percent. This year's improved outlook for cotton, oilseeds, and sugar beets should lessen pressure to increase imports of high-quality cotton lint, soybeans and meal, and sugar.

Policies Aimed at Ending Stagnation

Since the end of the 1970's, the USSR's agricultural economy has stagnated. Weather played the dominant role in the slowdown. However, managerial problems in the Soviet political economy have exacerbated the effects of poor weather. The Soviets are making changes that should bring improvements: higher commodity prices for producers; more emphasis on worker responsibilities (discipline), including tying wages more closely to output; greater horizontal integration in planning and managing the agricultural-industrial sector; increased autonomy in financing decisions within enterprises; and greater accountability of industry to the agricultural sector. Although they should have a positive impact on productivity, the initiatives are limited, and if they are not expanded, the long-run impact will be minor. Innovation is hampered not only by ideological resistance to decentralization, but also by the lack of accounting and economic expertise and the hardware to support the analysts at the farm, supporting enterprise, and industry levels. [Kathryn A. Zeimetz (202) 447-8380]

Wheat and barley production in the southern countries of Eastern Europe were hurt by dry weather during April and May. Corn and oilseed crops were for the most part not affected by the drought, but the reduced total grain harvest will worsen feed shortages and increase the need for imports in 1983/84. However, because of continuing financial constraints, it is unlikely that actual imports will meet all the needs. As a result, shortages of meat and other commodities in Yugoslavia, Romania, and Poland could become worse.

Bulgarian, Romanian Grain Hit by Drought

The current estimate for the 1983 grain harvest is 95 to 100 million tons, down from 106 million in 1982, but slightly above the 1976-80 average. Much of this decline occurred in Bulgaria and Romania, which have been hurt most seriously by this spring's drought. Bulgarian grain production for 1983 is now placed at 7.6 million tons, down from 9.9 million in 1982; Romania's grain production is estimated at 18.4 million tons, down from 22.3 million. Wheat and barley yields in Bulgaria may have been reduced as much as 25 to 30 percent; in the southern and eastern parts of Romania, where about 50 percent of the grain is grown, wheat and barley losses could come to 30 and 40 percent, respectively.

Grain production in other East European countries is either down slightly from 1982 or essentially unchanged. Yugoslavia, although also affected by the drought, did not suffer as much as Bulgaria and Romania. While its wheat crop will not reach the planned 6 million tons, it will, at 5.3 million tons, still be above last year. The corn crop, in some areas also affected by drought in July, cannot fully make up for the shortfall in wheat.

U.S. Exports Decline

Because of the good grain harvest of 1982, all countries of the region have sharply reduced 1983 imports from 1982 levels. U.S. wheat and corn exports for July 1982-June 1983 were less than one-third of 1981/1982 shipments; soybean meal exports were approximately half last year's level. Only soybean exports increased.

The U.S. export volume to Eastern Europe has been helped by the credit guarantees granted by the Commodity Credit Corporation (CCC): \$235 million in credit to Yugoslavia for purchases of oilseeds, vegetable oil, protein meal, wheat, hides, and cotton; and \$42 million to Hungary, including \$38 million for soybean meal, \$2 million for protein isolate, and \$2 million for cotton. As of August 1, 1983, Yugoslavia had used about half its

U.S. exports to Eastern Europe, July-June

Commodity	1982	1983
1000 tons		
Wheat	532	156
Corn	4,593	1461
Soybeans	426	694
Soybean meal	579	290

Source: U.S. Export Sales, USDA, FAS.

credit for U.S. fiscal 1983, purchasing 130,000 tons of vegetable oil, 105,000 of soybeans, and 40,000 of protein meal. Hungary had used about one-third, purchasing 60,000 tons of meal.

1983/84 Imports To Be Constrained

The tight feed supplies that will result from the grain shortfalls and continued low potato production may not translate into increased imports by the region. Bulgaria is not expected to import any wheat, as it should have sufficient stocks to meet its needs; however, it may need to import corn. Romania could import as much as 800,000 tons of grain in the 1983/84 marketing year, double 1982/83's estimated 380,000 tons. Even more may be needed to maintain current livestock inventories; however, Romania continues to be constrained by shortages of hard currency.

Similarly, Poland is in need of huge imports to sustain its livestock production. However, because of shortages of foreign exchange and the reluctance of Western banks to grant credit to Poland and Romania, it is unlikely that 1983/84 imports will be sufficient to meet feed needs, and the already reduced herds may get lower, exacerbating meat shortages. [Nancy Cochrane (202) 447-8380]

China

Crop production will be large again this year. Grain output will be close to the 1982 record of 353 million tons, if there is good fall weather. The cotton outturn is forecast at a record 3.7 million tons. Oilseed output is expected to be down slightly because of a planned reduction in sown area. China's imports of these commodities on a marketing-year basis will be down. The U.S.-PRC textile agreement initialed in August should clear a log jam of restrictions on the export of U.S. agricultural commodities in the future. However, for the current marketing year, U.S. wheat exports will decline; soybean shipments are expected to be nil; and cotton shipments will fall again. Corn shipments, the only bright spot, are forecast to rise slightly.

Grain Plan: Expand Output, Reduce Imports

China's agricultural policies continue to rely on crop specialization, import substitution, and institutional reforms to raise output to meet the demand of 1 billion domestic consumers. The first phase of the import substitution plan—which called for large grain imports to allow specialization in cotton, oilseeds, and sugar crops—has been completed. Imports of these latter commodities have fallen, and the second phase—increasing grain output to limit the growth of imports—has begun. For the first time since 1975, area sown to grain crops rose this year. China is counting heavily on institutional reforms and the new “production contract to household” incentive system to provide the impetus for the growth of grain crops. Planners intend to raise output without allocating large increases in resources, such as fertilizers, tractors, and electricity. Thus, China will have a more difficult task completing the second phase of the plan.

Rice area expanded slightly this year, but yields in 1983 are expected to decline following the 13-percent increase of 1982. Heavy rains in Guangdong and Guangxi provinces in the spring, and summer storms in the middle reaches of the Yangtze River Valley will

reduce yields in those areas. The real effect on yields, however, may not come from the flooding but from the fact that the heavy precipitation delayed farm work and maturation of the early rice crops; this in turn forced farmers to delay the transplanting of the late rice crop. If cold weather and frosts come earlier than usual, rice output may fall below the current forecast of 103.4 million tons (milled basis).

Coarse grain output is expected to rise to 85 million tons in 1983. China's feed industry is expanding, and demand for coarse grain imports likely will be marginally higher in 1983/84 (June/July) than last year. U.S. corn exports to China this year are expected to increase marginally as well.

Expanded area and favorable weather for both winter and spring wheat suggest total wheat output for this year will reach a record 76 million tons. Wheat imports for 1983/84 will be below last year because of back-to-back record harvests in 1982 and 1983. Major exporting nations have plentiful wheat supplies, and competition for the China market should be keen. U.S. wheat exports to China for 1983/84 (July/June) are expected to decline, but they should increase in fiscal 1984.

Cotton Production Up, Imports Down

Area sown to cotton is about the same as last year. Production is forecast at 3.7 million tons (17 million bales). Yields are expected to rise a few kilograms per hectare because of the use of improved seed varieties and better management practices. Also, the use of the “production contract to household” incentive system should encourage farmers to boost yields. For 1983/84, cotton imports will fall for the fourth consecutive year, estimated to reach only 300,000 bales. No U.S. cotton exports are anticipated.

Oilseed Output Drops Slightly

The oilseed outlook is for a marginal drop in production. China's planners reduced the area sown to rapeseed, sunflowerseed, and soybeans, and these reductions will probably account for most of the drop in total oilseed output. Good oilseed crops have been harvested in the past few years, and China's officials report high stocks of some oils. China likely will import small quantities of soybeans in 1983/84, but none from the United States. [F.W. Crook (202) 447-8676]

Asia

Asian Rice Harvest Up 6 Percent

A rebound in rice production in India and Thailand is expected to lead to a 6-percent jump in the 1983/84 Asian rice harvest, to 154.6 million tons. Excluding China, Asia will account for 55 percent of the world's 1983/84 rice output, 60 percent of exports, and slightly more than a quarter of imports. Although Thailand's 3.4 million tons of rice exports are expected to account for nearly half of the regional total, they will be slightly lower than the previous year. But this decline will likely be offset by sharp upswings in rice sales by Pakistan and Taiwan. A big shift on the import side is expected in Indonesia, where 1983 imports may approach 2 million tons, a fivefold increase from 1982, again making Indonesia the world's leading importer.

Large Rice Imports by Indonesia

Indonesia's prospective 1983 rice harvest of 23 million tons will be slightly below 1982 and about 2 million tons below consumption requirements. Despite a very late and erratic monsoon, excellent wet-season harvests were realized in most of the country. The dry-season crop was generally planted on schedule and could be somewhat higher than earlier expected. However, the Government may import close to 2 million tons of rice in 1983 to prevent further stock depletion, especially if plentiful supplies persist in neighboring Asian countries.

Indonesia's total cereal imports during 1983 could exceed 3 million tons and cost the country more than \$1 billion. This drain on foreign exchange, combined with reduced petroleum export revenues, has widened the current account deficit, prompting the Government to cancel or reschedule several major planned industrial projects and devalue the rupiah by 38 percent. Since the devaluation, major agricultural exports such as rubber, palm oil, and coffee have been shipped in larger quantities, and there has been some reduction in imports.

Malaysia's 1983 palm oil output is forecast to increase 6 percent to 3.7 million tons, the smallest percentage increase in more than a decade. Following a 1982 gain of 25 percent, associated with Cameroon weevil pollination, unfavorable weather and biological stress have resulted in slower growth.

Drought Hinders Philippine Plantings

In response to the official devaluation of the peso in late June, the Philippine Government raised the ceiling price for wheat flour by 10 percent; it was the first increase since 1980. Price increases for fertilizer and rice have also been approved, but they are not expected to be implemented until later this year. Dryness persists in the southern Philippine islands, although the onset of the rainy season appears to have begun in Luzon, following Typhoon Vera's arrival in mid-July. Since the drought extended into the normal June-July rice planting time, reduced yields are likely; however, officials are optimistic that 5.3 million tons will be produced in 1983/84.

Thailand's rice exports during first-half 1983 lagged behind the strong performance of 1982. Total rice exports are not expected to match 1982's record, but shipments are likely to reach 3.4 million tons. Despite the delayed 1983 monsoon, corn production during 1983/84 is likely to be 3.6 to 4.0 million tons, with an exportable surplus of nearly 2.7 million.

Rice Stock Problem Continues in Taiwan

Because of a large buildup of stocks, Taiwan is expected to double its rice exports to about 600,000 tons during 1983. Major buyers have been Indonesia, western African countries, Sri Lanka, and Madagascar. Taiwan is attempting to reduce rice production by increasing incentives to grow other crops, such as soybeans, corn, and vegetables.

South Korea's export earnings are likely to increase substantially in the second half of 1983, reinforcing the nation's emerging economic recovery. Rising consumer meat demand and low prices for imported feeds have led to rapid gains in livestock production since 1982. Production growth promises to continue through 1984 and will result in continued strong growth in imports of feed grains and soybeans.

The South Korean Government announced that the 1983 official purchase price for domestic barley would remain at the 1982 level, a move likely to significantly reduce plantings. Anticipating complaints from farmers, the Government canceled its previous approval of 50,000 tons of barley imports from unidentified sources. Together, these developments should further benefit U.S. exports of corn and grain sorghum during the last half of 1983. Total Korean cotton imports in 1983/84 are likely to be close to 1982/83's 1.54 million bales, with the United States again taking nearly 90 percent of the market.

South Asia Grain Harvests Good

Although the 1983 monsoon was late and erratic over some parts of India, the outlook is favorable for a recovery in 1983/84 kharif (fall) harvests, following drought-induced declines in 1982/83. The 1983/84 rice harvest is forecast at 53.5 million tons (up 16 percent), coarse grains at 30 million (up 9 percent), and oilseeds at 14.3 million (up 7 percent). The 1983 wheat crop harvested during April-May is estimated at 41 million tons, a third consecutive record.

Despite the favorable production outlook, India's food grain supplies will likely remain tight in 1983/84. Government stocks grew to an estimated 17.5 million tons in July 1983 because of wheat imports and successful domestic procurement, but stocks remained below target. Wheat stocks are estimated at a comfortable 13.5 million tons, but rice stocks have continued to decline because of strong demand through the public distribution system. High open-market cereal prices will likely lead to continued strong demand for publicly distributed cereals, pressuring Government stocks. Wheat allocations will likely be increased to conserve rice. Rice exports are expected to drop to about 250,000 tons in 1983 and 1984, and rice imports, expected to total 300,000 tons, have been initiated to help meet distribution requirements in several southern states. To allow further stock building, wheat imports of about 2 million tons are forecast for 1983/84, but any import decision will likely await the outcome of the 1983 monsoon.

Because of the decline in oilseed production in 1982/83, Indian imports of vegetable oils are expected to rebound from a 6-year low of 883,000 tons in 1982 to about 1.25 million in 1983. Soybean oil imports are forecast at 550,000 tons (up from 383,000 in 1982), and palm oil purchases are forecast at 575,000 tons (up from 418,000). Palm oil is likely to maintain a large share of the Indian vegetable oil market because of highly competitive prices. Lower priced Brazilian soybean oil has continued to dominate Indian soybean oil purchases. With the projected recovery in oilseed production in 1983/84, India's vegetable oil imports are likely to decline to 1.1 to 1.2 million tons in 1984.

Food grain stocks in Bangladesh remain precariously low. However, food grain prices stabilized during first-half 1983 because of the record 4.8-million-ton winter food grain output and imports sufficient to balance domestic consumption with available supplies. On July 1, the rice price was 251 taka per maund, a below-normal 7-percent increase from January. Total 1982/83 food grain production, a record 15.3 million tons, was consistent with previous expectations. But even with total imports for 1982/83 amounting to an above-average 2.2 million tons—a third from the United States—stocks stood at only 755,000 tons on July 1, 1983. The 1983 monsoon has begun normally, promising a record food grain crop of 15.6 million tons during 1983/84.

Pakistan's cotton and rice plantings have benefited from ideal water supplies and adequate fertilizer availability. With the additional incentive of a 3-percent increase in rice support prices, prospects are very good that rice production will reach the Government target of 3.6 million tons for 1983/84. Rice exports are expected to reach 1.2 to 1.3 million tons during 1983/84, up sharply from 1982/83.

Production of cotton is estimated at 3.9 million bales (480-pound bales) during 1983/84, up 4 percent from the previous year. Exports are forecast at 1.2 million bales during 1983/84, up 20 percent from 1982/83.

Sri Lanka's second 1983 rice crop (Yala) is being harvested during August-September. Yala production is expected to be below normal because of irregular southwest monsoon rains. Sri Lanka harvested the Maha rice crop during April-May. Rice output from both harvests is expected to be about 1.4 million tons, substantially below than the Government's target of 1.7 million. Rice imports are expected to rise to about 200,000 tons in 1983/84. Sri Lankan wheat imports are forecast at 600,000 tons, with about 250,000 from the United States. [E. Wayne Denney (202) 447-8229]

Africa and the Middle East

Maghreb Nations To Import More Grain

Dry weather in North Africa reduced 1983 wheat and barley production in Morocco, Algeria, and Tunisia. As a result, the three countries are expected to import at least 5.9 million tons of wheat and 1.5 million tons of corn and barley during the 1983/84 marketing year. This would be a 40-percent increase from 1982/83's 4.3 million tons of wheat and 1 million of corn and barley. The United States is expected to supply about 40 percent of the wheat and half the feed grains.

Morocco's grain imports will depend on what it can afford, as well as on the level of external financing. The country's grain production was estimated at 3.2 million tons, down 34 percent from 1982. Meanwhile, grain import requirements for the 1983/84 marketing year are estimated to range from 2 to 2.5 million tons—mostly wheat. In 1982/83, 1.3 million tons was imported, far below the 1.8 million required. Imports were kept low last year by the scarcity of foreign exchange and the hope that the 1983 harvest would be good. However, the low imports and poor harvest will force much higher wheat purchases in 1983/84.

Blended credit improved the U.S. position in Morocco's wheat and corn market in 1982/83. The United States dominated wheat imports—supplying 77 percent—and displaced France, which had provided 75 percent in 1980/81 and 52 percent in 1981/82. The United States was the sole supplier of corn in 1982/83. In 1983/84, the U.S. share is expected to decline somewhat because of both price and credit competition from France. Credit will continue to be the determining factor in Morocco's choice of suppliers.

Algeria is expected to import a record 3.7 million tons of grain in 1983/84 (2.7 million of wheat and 1 million of feed grains). The U.S. share of the Algerian wheat market declined in 1982/83 and is likely to drop again this year because of the government-to-government grain agreements Algeria signed with Canada, Argentina, France, and Greece. The U.S. share of the corn market has also declined because of a 5-year agreement with

Grain imports of the Maghreb countries, 1983/84

Country	Wheat		Feed grains	
	Total	U.S.	Total	U.S.
<i>Million tons</i>				
Morocco	2.2	1.3	0.2	0.2
Algeria	2.7	.5	1.0	.3
Tunisia	1.0	.6	.3	.3
Total	5.9	2.4	1.5	.8

Argentina. Algeria's grain production in both 1982 and 1983, only 1.5 million tons each year, was about 20 percent below normal.

In 1983, dry weather reduced Tunisia's grain harvest by a third. Therefore, the country's grain imports may be a record 1.3 million tons in 1983/84, up 30 percent. Wheat imports could reach 1 million tons, also up 30 percent from the previous year. Corn imports are forecast at 300,000 tons, a 50-percent rise from 1982/83, but still 100,000 tons below 1981/82.

Imports of U.S. wheat could be as high as 600,000 tons, up 63 percent from 1982/83. Tunisia has available \$61.5 million of blended credit for importing wheat, corn, and dairy animals in fiscal 1983. Over the last 2 years, the United States has averaged about 80 percent of the Tunisian durum import market, and almost 100 percent of the corn market. For soft wheat, the U.S. share has been less than 30 percent. A P.L. 480 Title I agreement provides for the sale of 75,000 tons of wheat for fiscal 1983. Corn imports are expected to increase as the dairy and poultry sectors expand. However, a reduction in subsidy payments during 1982 raised corn prices to feed mills 174 percent.

South Africa's Corn Crop at 25-Year Low

The fifth grain estimate of the South African Department of Agriculture, released July 19, placed the 1983 corn harvest at only 3.9 million tons. This will be the lowest outturn since the 3.7-million-ton crop of 1958. As a result, coarse grain imports—mostly corn—for the 1983/84 marketing year could approximate 2.5 million tons, a record high for South Africa. Imports of barley have been considered as a cheaper source of feed than corn. To date, the United States and Argentina have provided the corn imports.

This year's corn yield will be only about 14 bushels an acre, in contrast to 1981's record yield and crop. South Africa has a history of production variability. After the 4.2-million-ton drought-damaged crop of 1973, the 1974 harvest was a record 11.1 million tons. Again there was a record corn crop in 1981, a drought-damaged outturn in 1982, and a disastrous harvest in 1983. Thus, if history is any guide, next year's corn harvest could be a large one.

The South African wheat crop for 1983/84 has also been damaged by drought and may only reach 1.4 million tons, the lowest since 1970/71. Despite a carryover of nearly 1 million tons, some wheat imports are expected. The sorghum crop, estimated at 191,000 tons, is the lowest since 1962. The peanut output of 55,174 tons (shelled basis) is the lowest since 1949.

The country's trade surplus could be significantly reduced—by as much as \$900 million—because of a sharp decline in agricultural exports (which totaled nearly \$2 billion in 1982), accompanied by a possible threefold

increase in farm imports. In 1981, total agricultural imports were valued at about \$260 million, and were similar in 1982. However, in fiscal 1983/84 (April-March), imports of corn, oilseeds and oilseed products, and fishmeal may reach \$450 million. This would be in addition to the usual imports of rice, raw rubber, coffee, tea, and cocoa beans. Therefore, total agricultural imports for this year could approach a record \$650 million.

U.S. Blended Credit Effective in Iraq

Iraq is one of the leading growth markets for U.S. agricultural exports in 1983, with a value that may surpass \$400 million, compared with \$132 million in 1982. Most of the growth has been related to new financing through blended credit. As a result, the U.S. share of Iraq's agricultural imports is likely to rise from 5 percent in 1982 to 12 percent in 1983, while the EC share may remain about 31 percent. Iraq's agricultural imports may increase 40 percent in 1983, to \$3.5 billion.

Arab banks have provided Iraq with loans for 3 years at about 12 percent interest; the loans have a U.S. Government guarantee under GSM-102. Also, Iraq has received low-interest GSM-5 loans from USDA for \$44 million. The value of all GSM loans for fiscal 1983 totaled \$433 million, but some of the items may not be shipped on schedule. Most of the 1.2 million tons of wheat, valued at \$197 million, should be shipped by September 30. About half had already been shipped by May. Most of the 400,000 tons of rice, valued at \$160 million, will be shipped by the end of the fiscal year. The allocation of \$26 million for 200,000 tons of feed grains will be fully used, and sales of 82,000 tons of barley and 60,000 tons of corn have already been made. Nearly half of the \$10 million for 45,000 tons of soybean meal has been spent. The \$30 million earmarked for eggs remains in limbo. The Dutch and French have delivered much larger amounts at lower prices, and Iraq has not yet purchased the expected volume of American eggs.

Striking gains in exports of dairy products, meat, flour, barley, eggs, and sugar have pushed EC shipments of farm products to Iraq from \$398 million in 1980 to an estimated \$770 million in 1982. In addition, Iraq's rising demand for food has created new opportunities for neighboring countries, particularly Turkey and Jordan. In the last 3 years, Turkey has increased deliveries of live animals, meat, eggs, wheat, and a variety of fruits and vegetables.

Iraq's imports of frozen poultry from Brazil are expected to exceed 225,000 tons in 1983, compared with 170,000 in 1981. Iraq's purchases of U.S. poultry meat reached 31,000 tons in 1981, but trade ceased in 1982 because Brazil's lower prices captured most of the market. However, because of Iraq's policy of diversifying sources of supply and some problems with Brazilian deliveries, the United States may again capture some of the market. [Michael Kurtzig (202) 475-3444]

Latin America

Economic Conditions Deteriorate

Latin America's economic conditions have changed little since June. The region's GDP is still forecast to drop 2 or 3 percent from 1982. Most of the countries are

affected, and many are also faced with serious foreign exchange shortages brought about by depressed world markets for their major exports. For many, imports and debt service continue to rise.

The Mexican economy is expected to contract for the second consecutive year. Per capita demand is not expected to grow and may even fall behind the 1982 level. The main force maintaining growth in total food demand will be population increases.

Brazilian food consumption will be similarly restrained. Per capita income will decline sharply as the Government cuts spending, imposes import restrictions, and reduces producer and consumer subsidies. Import demand will be further constrained by the cruzeiro's devaluation, which was done to maintain price competitiveness in world markets; internal inflation is expected to approach 100 percent this year.

Argentina continues in a state of political uncertainty as it attempts to work out the transition to an elected civilian government by January 1984. The most optimistic economic forecasts call for GDP growth of only 1 to 2 percent in 1983. Inflation could be driven as high as 500 percent this year by the introduction in June of a new monetary unit (worth 10,000 old pesos) and by military spending.

Agricultural Output Higher in 1983

Preliminary estimates continue to indicate that farm output in the region will rise in 1983 assuming normal weather, but that it will probably not get back to trend.

Growth in farm production in Mexico could reach 4 percent this year, following 1982's drop of 5 percent. The major gains will likely be in crop production, which plunged 14 percent last year because of a severe drought that devastated Mexico's coarse grain crop. Unseasonal rains restored Mexico's parched reservoirs to 50 percent of capacity last winter, assuring average yields for such irrigated crops as wheat, rice, soybeans, and winter vegetables. If normal rainfall occurs this summer, yields of corn, dry beans, and sorghum will be far above 1982 levels. Not much growth is expected in planted area because producer discontent over the current cost-price squeeze continues. Mexican livestock output is expected to decline, after a 7-percent increase last year. The country's financial crisis has eroded consumers' purchasing power, while prices of major inputs—many imported—have skyrocketed.

Brazilian agricultural production in 1983 is now expected to increase 4 percent over 1982. This outlook is less optimistic than earlier ones because record-high rainfall in April-June hurt area and yields of key crops during harvesttime. Despite the rain, 14.8 million tons of soybeans and 21 million of corn will make 1983 the third largest year ever for these commodities. Coffee, recovering from frost damage to the 1982 harvest, and sugarcane for alcohol, responding to Government incentives for consumers to switch to alcohol-powered vehicles, are also doing well. The livestock sector is expanding slowly.

Agricultural trade continues to be subject to Brazil's balance-of-payments situation and requirements. These entail export promotion and limitations on imports. Imports of most agricultural commodities will be constrained by the foreign exchange shortage, scarce trade financing funds, and by regulations specifically curtailing imports.

Wheat is Brazil's largest food import and the United States, with over half the market, is the main supplier.

U.S. sales of wheat during fiscal 1984 are forecast at 2.5 million tons. This figure is up from slow sales in the previous year but still somewhat low because of the Brazilian Government's efforts to reduce imports.

Because of low stocks and the poor 1983 rice harvest—production is forecast at 5.3 million tons, milled basis, down 15 percent from 1982—Brazil will need rice imports of approximately 600,000 tons over the next 8 months just to maintain aggregate rice consumption. The most likely suppliers are several Asian countries.

Imports of soybeans for reexport in processed form are unlikely to occur in the foreseeable future. Brazil had a large domestic crop in 1983 and the current market situation favors exports of beans over processed products.

The outlook for Brazilian agricultural exports has dimmed because of the rain-lowered production prospects. The forecast for soybean exports in 1983 has been lowered 15 percent from before the harvesttime rains, to 1 million tons. A smaller crush will likely reduce soybean meal exports from the 8.0 million tons forecast earlier to 7.8 million tons, and soybean oil from 950,000 to 900,000. Rain damage to the corn crop appears to have lowered exportable supply to 600,000 tons at most, down from an earlier forecast of 1 million. Finally, for coffee exports, the forecast of 870,000 tons for July 1983-July 1984 is being maintained until it can be ascertained that rain damage was sufficient to cause major losses.

A continued slowdown in U.S. demand for frozen concentrated orange juice (FCOJ) in 1983/84 will mean a 7-percent drop in Brazil's FCOJ exports this year. About 420,000 tons will likely be exported, primarily to the United States and Western Europe. A consequent build-up in Brazilian FCOJ stocks is anticipated.

In Argentina, agriculture continues to be the strongest sector of the economy. Total grain output in 1983 is estimated to be a record 32.1 million tons, because farmers shifted substantial land from pasture to plant a record 17.6 million hectares of grain. Much of the expanded area was planted to wheat, which also took some land from corn; the expansion yielded a record harvest of 14.5 million tons. Coarse grain production was 17.4 million tons, off about 5 percent from 1982 because of reduced sowings and lower yields caused by excessive dryness. Forecasts for 1984 include wheat production at 11.5 million tons as yields return to average; a coarse grain harvest virtually unchanged at 17.6 million tons; and total grain outturn of 29.3 million tons.

Dry weather impeded the growth of first-crop soybeans and delayed planting of those second-cropped with wheat, so that total soybean outturn was only 3.5 million tons, down 15 percent from 1982. As a result, total oilseed production in 1983 was 6.6 million tons, in spite of a record sunflowerseed harvest of 2.2 million tons. For 1984, projections are for a 17-percent jump in oilseed output to 7.7 million tons, as soybeans recover to 4.4 million tons and sunflowerseed set another record at 2.3 million tons. Beef production in Argentina declined for the second consecutive year as producers continued to rebuild herds. Exports dropped to only 420,000 tons because of competitors' subsidies and generally diminishing international demand, and they could fall further in 1984 if the new Government enacts policies favoring domestic consumption over exports. [John Link (202) 447-8133]

WORLD TRADE AND FOOD POLICY

New U.S.-USSR Grain Agreement

In brief, the agreement will supply the USSR with 9 to 12 million tons of wheat and corn during 1983-1988 with the possible substitution of 500,000 tons of soybeans or meal for 1 million tons of grain. For details see the USSR section under Regional Agricultural Developments.

UNCTAD Conference Held

From June 5 to July 2, the United Nations Conference on Trade and Development (UNCTAD) held its sixth conference in Belgrade, Yugoslavia, to discuss the world economic situation and its relationship to the developing countries, which refer to themselves collectively within UNCTAD as the "Group of 77" (G-77).

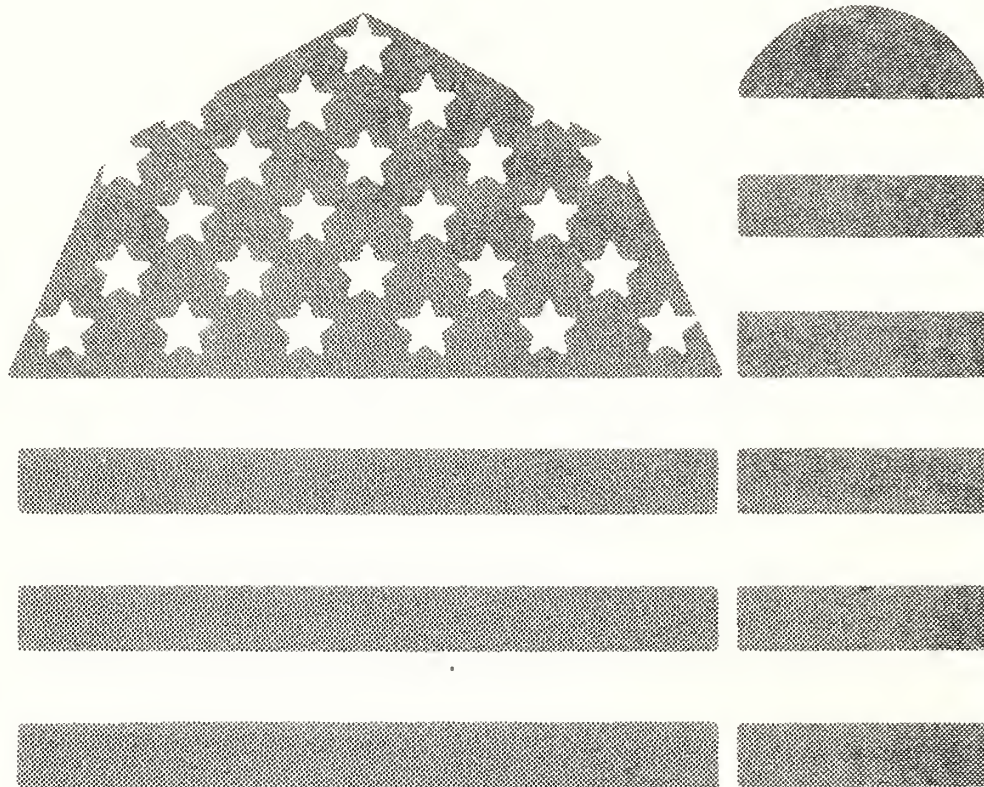
Four major subject areas were on the agenda. The first was money and finance issues, including the effect of developing country indebtedness on the world financial system; net aid flows and resource transfers from the developed countries (referred to as Group B countries) to the developing countries, both bilaterally and multilaterally; and export credits.

The second subject involved commodity issues, notably the IMF's Compensatory Financing Facility, UNCTAD's Integrated Program for Commodities, global food security, and the Common Fund (designed to support the world price of certain commodities, primarily through formation of buffer stocks).

The third subject area, trade issues, covered the relation between trade and development, the Generalized System of Preferences (GSP), and protectionism and structural adjustment. A fourth area included various issues such as technology, shipping, landlocked and island developing countries, UNCTAD institutional items, and other topics not elsewhere covered.

At the end of the conference, no declaration on the world economic situation had been developed to which all participants could agree; the Group of 77's characterization of the world economy was finally adopted as a statement of the conference, although the United States, United Kingdom, Germany, Japan, and several other Group B nations expressed reservations about this view.

The conference discussions led to major resolutions in all four areas, including resolutions on the Common Fund and the UNCTAD Integrated Program for Commodities, which repeated previous calls for national support of each program. Another resolution invited interested governments to consider early resumption of negotiations within the International Wheat Council for a new international wheat agreement, taking into account the interests of the developing countries. The United States expressed reservation on this resolution, on the grounds that the conditions necessary for a new agreement are lacking. The resolution concerning compensatory finance—particularly the IMF compensatory finance facility which provides loans to countries with temporary export commodity shortfalls—led to reservations among the Group B countries. The latter expressed concern that an UNCTAD examination of the rules for providing compensatory finance would improperly overlap the role which the IMF currently fills. [Edward C. Wilson (202) 447-8470]



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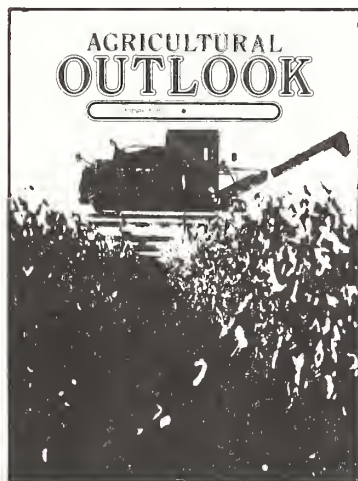
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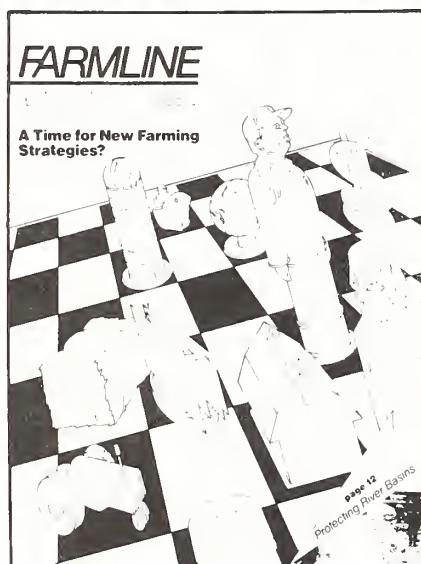


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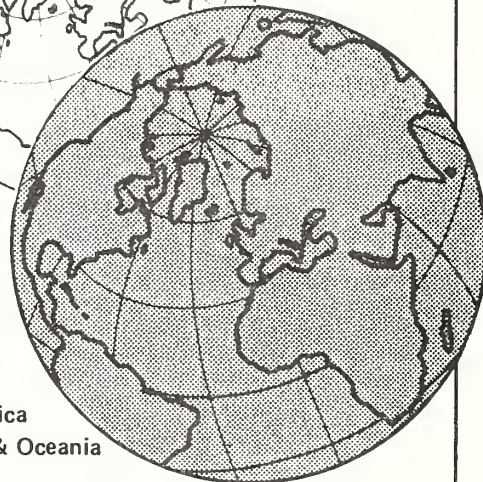
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